

IPO Workshop

Belgrade Stock Exchange IPO 2012

June 5th, 2012

IPO Workshop

Presentation topics



ERSTE GROUP

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ERSTE GROUP

Section 1

About Us

Group Corporate & Investment Banking

Investment Banking presence across the region

- **Local coverage and execution capabilities across the region**
- **Dedicated investment banking professionals on the ground**
 - 30 bankers in Vienna
 - 20 bankers in Prague
 - 20 bankers across the rest of the region, including London
- Seamless collaboration and **sector expertise** throughout the region

ECM team overview

- | | |
|------------------|--|
| Vienna | <ul style="list-style-type: none">▪ 14 dedicated ECM bankers▪ Pan-regional coverage, co-ordination▪ Main ECM execution hub |
| Prague | <ul style="list-style-type: none">▪ 5 dedicated ECM bankers▪ ECM execution hub |
| Bucharest | <ul style="list-style-type: none">▪ 2 dedicated ECM bankers |
| Istanbul | <ul style="list-style-type: none">▪ 1 dedicated ECM banker |
| Belgrade | <ul style="list-style-type: none">▪ 1 dedicated ECM banker |

ECM support

- Equity Research analysts throughout the whole CEE region
- Sales teams in Vienna, London, Warsaw and other CEE capitals



Section 2

Current Capital Market Environment

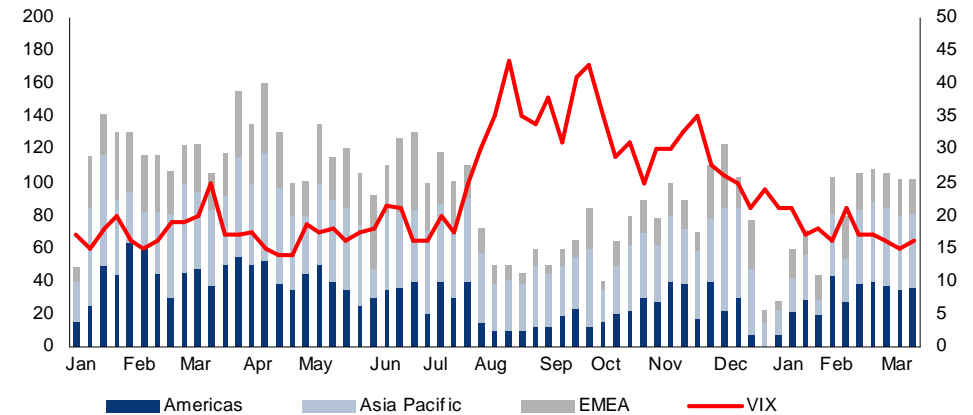
Equity Capital Markets Development

Global picture

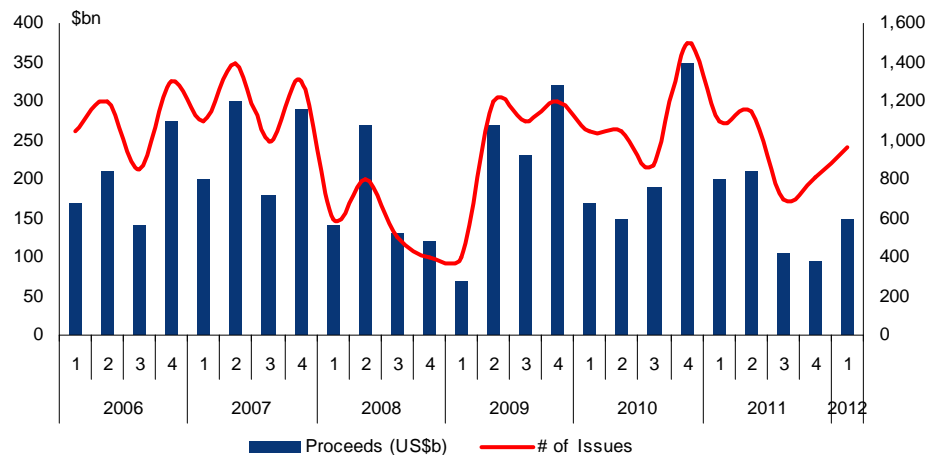
Overview

- **Global ECM volume** totaled \$158.8bn in 1Q 2012, a 24% decrease on the \$207.7bn raised in 1Q 2011. However a strong increase was recorded especially in comparison to very weak Q3 and Q4 2011 (in comparison to Q4 2011 the **volume was up 60%**). March 2012 volume of \$83.3bn became the highest monthly total over last 12 months
- **Volatility** decreased in the 1Q 2012 with the **VIX falling** from its highs of 2H 2011, contributing to an **increase in ECM activity**. 85 deals priced on average each week in the first quarter, up from 60 per week in second half of 2011
- **Global IPO** volume stood at \$17.1bn via 182 deals in 1Q 2012, a 34% decrease compared with the \$25.8bn raised via 259 deals in previous quarter. The average 1 day aftermarket performance in 1Q was 17.9% up from an average of 8.7% in Q4
- Only 43 IPOs were **withdrawn or postponed** in first quarter for an expected \$5.1bn, the lowest quarterly deal number since 1Q 2010 (40 deals)
- **Finance** continued to be the leading sector for global ECM with \$29.0bn via 106 deals in 1Q. Second was **O&G** with \$18.6bn followed by **Real Estate/Property** with \$16.7bn

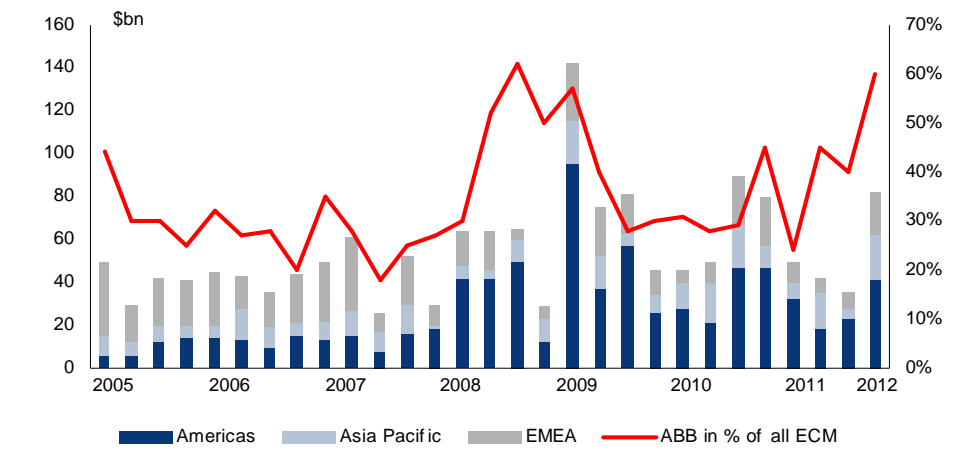
Weekly number of Global ECM deals and VIX (2011 - Q1 2012)



Global equity and equity-related volume (2006 – Q1 2012)



Quarterly accelerated volume by region (2005 – Q1 2012)



Equity Capital Markets Development

EMEA picture



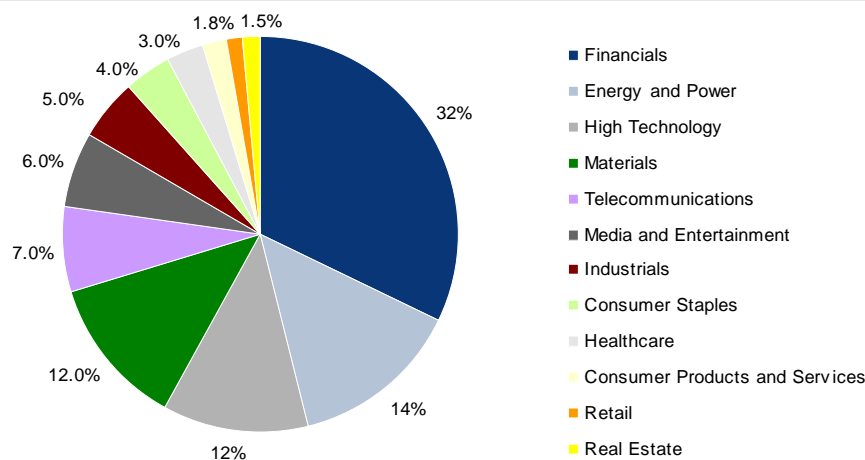
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Overview

- **EMEA ECM** volume reached \$42.8bn via 241 transactions in 1Q 2012, a 7% decrease from \$46.0bn raised via 348 deals during the comparable 2011 period
- **Rights issue** underwriting volume reached \$12.2bn, marking a 278.6% increase compared to fourth quarter 2011
- The **Financials** sector remained the most dominant industry with market share of 27% for Equity and Equity-Related issuance with \$5.9bn in new capital raised followed by **Energy and Power** where total proceeds raised reached \$4.9bn
- \$3.4bn was raised via 23 **IPOs** in EMEA during 1Q 2012 and volume was boosted by **Ziggo** and **DKSH** which priced late March
- 80 **accelerated offerings*** completed in 1Q 2012 raising \$18.5bn, a 22% decrease in volume compared to 1Q 2011
- Only eight EMEA deals were **withdrawn or postponed** in 1Q 2012, the lowest number since 3Q 2009 when four were withdrawn/postponed, and the smallest proportion of priced deals since 4Q 2009

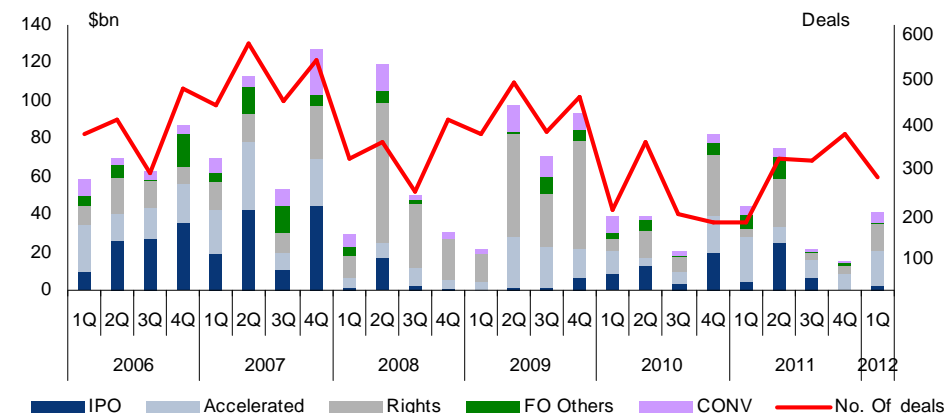
*Accelerated offerings include accelerated bookbuilds and bought deals

EMEA ECM proceeds raised by industry (1Q 2012)



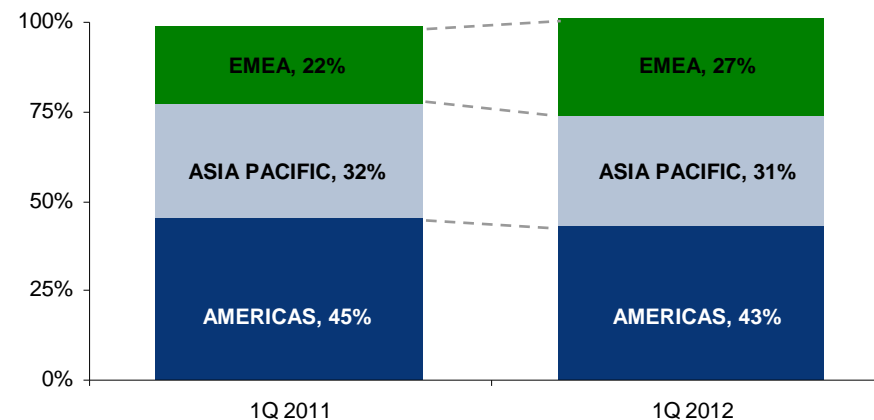
Source: Thomson/Reuters

EMEA ECM volume by deal type (2006 – present)



Source: Dealogic

ECM Volume by world region



Source: Dealogic

Equity Capital Markets Development

European picture – IPO transactions



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UK remains the most active market for IPO transactions in 2012

Industry mix of the transactions is manifold

Large offerings are back in play

European IPOs over the last 6 months

Date	Issuer Name	Volume (USDm)	Industry	Listing	Offer Price (USD)	Primary %	Secondary %
3-May-12	Retroscreen Virology Group plc	24.3	Healthcare	United Kingdom	1.3	100.0%	0.0%
1-May-12	Snoozebox Holdings Plc	19.3	Consumer Cyclical	United Kingdom	0.6	100.0%	0.0%
27-Apr-12	Zeta Petroleum Limited	8.6	Energy	Australia	0.2	100.0%	0.0%
26-Apr-12	Vexim S.A.	14.6	Healthcare	France	12.6	100.0%	0.0%
24-Apr-12	Brunello Cucinelli S.p.A.	208.7	Consumer Cyclical	Italy	10.2	39.0%	61.0%
18-Apr-12	ID Logistics SA	37.8	Transportation	France	27.6	100.0%	0.0%
16-Apr-12	Zattikka Plc	20.1	Consumer Cyclical	United Kingdom	1.6	100.0%	0.0%
11-Apr-12	OA0 Abrau-Durso	135.1	Consumer Non-Cyclicals	Russian Federation	183.8	100.0%	0.0%
10-Apr-12	RusForest AB	67.0	Materials	Sweden	0.2	100.0%	0.0%
5-Apr-12	Gold by Gold Groupe	4.1	Materials	France	9.3	100.0%	0.0%
5-Apr-12	Naibu Global International Company plc	9.6	Consumer Cyclical	United Kingdom	2.0	100.0%	0.0%
2-Apr-12	Auhua Clean Energy plc	1.6	Industrials	United Kingdom	0.6	100.0%	0.0%
29-Mar-12	DBV Technologies S.A.	53.8	Healthcare	France	11.8	100.0%	0.0%
29-Mar-12	GasLog Ltd.	329.0	Transportation	United States	14.0	100.0%	0.0%
26-Mar-12	Bushveld Minerals Limited	9.1	Materials	United Kingdom	0.3	100.0%	0.0%
20-Mar-12	Ziggo B.V.	1063.4	Telecommunications Services	Netherlands	24.5	0.0%	100.0%
20-Mar-12	DKSH Holding Ltd(DKSH Management Ltd)	991.5	Industrials	Switzerland	52.7	0.0%	100.0%
19-Mar-12	Energy Assets Group plc	47.9	Industrials	United Kingdom	3.3	50.0%	50.0%
6-Mar-12	Qannas Investments Limited	18.3	Financials	United Kingdom	1.0	100.0%	0.0%
2-Mar-12	Papua Mining plc	11.2	Materials	United Kingdom	0.7	100.0%	0.0%
29-Feb-12	Alcentra European Floating Rate Income Fund Limited	128.9	Financials	United Kingdom	1.6	100.0%	0.0%
21-Feb-12	Belvoir Lettings Plc	11.6	Financials	United Kingdom	1.2	100.0%	0.0%
17-Feb-12	Inside Secure SA	104.4	Technology	France	10.9	100.0%	0.0%
15-Feb-12	Intrasense SAS	5.5	Technology	France	9.7	100.0%	0.0%
15-Feb-12	EOS imaging SA.	49.5	Healthcare	France	9.0	100.0%	0.0%
15-Feb-12	Sports Stars Media Plc	2.5	Consumer Cyclical	United Kingdom	0.0	100.0%	0.0%
14-Feb-12	ADOCIA	33.2	Healthcare	France	20.9	100.0%	0.0%
1-Feb-12	AVG Technologies N.V.	128.0	Technology	United States	16.0	50.0%	50.0%
18-Jan-12	RusPetro Plc	250.1	Energy	United Kingdom	2.1	100.0%	0.0%
14-Dec-11	Bilfinger Berger Global Infrastructure SICAV	329.4	Financials	United Kingdom	1.6	100.0%	0.0%
12-Dec-11	Relaxnew s S.A.	3.3	Consumer Cyclical	France	15.5	100.0%	0.0%
8-Dec-11	Ultrasonic AG	8.4	Consumer Cyclical	Germany	12.1	100.0%	0.0%
8-Dec-11	TLA Worldwide plc	18.7	Consumer Cyclical	United Kingdom	0.3	100.0%	0.0%
Average		125.7				89.1%	10.9%

Source: Ipreo, Data as of 09/05/2012

Equity Capital Markets Development

CEE picture – IPO- and follow-on-transactions



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2011 ECM activity rather slow on European markets, especially in CEE

Recent positive development on the European Stock Exchanges bring hope to a stronger issuance activity in 2012

CEE Transactions only	Date	Issuer Name	Volume (USDm)	Industry	Type	Listing	Offer Price (USD)
	15-Jun-11	Lenzing AG	812.1	Materials	FO	Austria	131.48
	7-Apr-11	AMAG Austria Metall AG	526.1	Materials	IPO	Austria	27.26
	6-Jun-11	OMV AG	1,095.2	Energy	FO	Austria	40.16
	27-Jul-11	Kapsch TrafficCom AG	70.5	Industrials	FO	Austria	88.10
	25-Aug-11	E4U a.s.	5.6	Utilities	IPO	Czech Republic	4.75
	3-Aug-11	AS Baltika	4.3	Consumer Cyclical	FO	Estonia	1.00
	18-May-11	Bank Gospodarki Zyw nosciow ej SA	113.4	Financials	IPO	Poland	21.80
	28-Jun-11	JSW SA (Jastrzebska Spolka Weglow a)	1,925.2	Energy	IPO	Poland	48.74
	22-Mar-11	Kino Polska TV S.A.	13.3	Consumer Cyclical	IPO	Poland	3.34
23-Mar-11	Tauron Polska Energia SA	450.3	Utilities	FO	Poland	2.15	
21-Apr-11	Industrial Milk Company S.A.	29.8	Consumer Non-Cyclical	IPO	Poland	3.98	
10-Jun-11	PZU SA	1,155.4	Financials	FO	Poland	133.80	
24-Feb-12	PGE Polska Grupa Energetyczna S.A.	801.5	Utilities	FO	Poland	6.12	
20-Apr-11	Nova Kreditna banka Maribor	150.6	Financials	FO	Slovenia	11.45	
Average			510.9				

Comments

- Past year has shown still a limited issuance activity on CEE equity capital markets
- Most active countries in CEE remain Austria and Poland
- Stronger listing activities in Poland primarily driven by privatizations and SMEs
- Austrian transactions driven by private deals, mainly capital increases
- Recent European transactions show that the average discount to market price is approximately 11%
- UK and German transactions dominate in European ECM

ECM transaction overview by country (2011 – 2012YTD)

Country	# Deals	Ø Volume (USDm)	Ø Discount/Premium
Austria	4	598.8	(1.4%)
Czech Republic	1	5.6	-
Denmark	5	1106.4	(17.1%)
France	33	170.0	(10.4%)
Germany	29	799.3	(9.5%)
Ireland	7	492.5	(7.2%)
Italy	14	1796.9	(17.4%)
Norway	15	109.4	(3.3%)
Poland	7	640.8	(1.8%)
Slovenia	1	92.3	(7.1%)
Spain	4	1759.0	(14.1%)
Sweden	15	52.3	(22.0%)
Switzerland	3	218.1	(13.0%)
United Kingdom	544	53.5	(11.5%)
Average (Europe)	39	529.9	(12.6%)

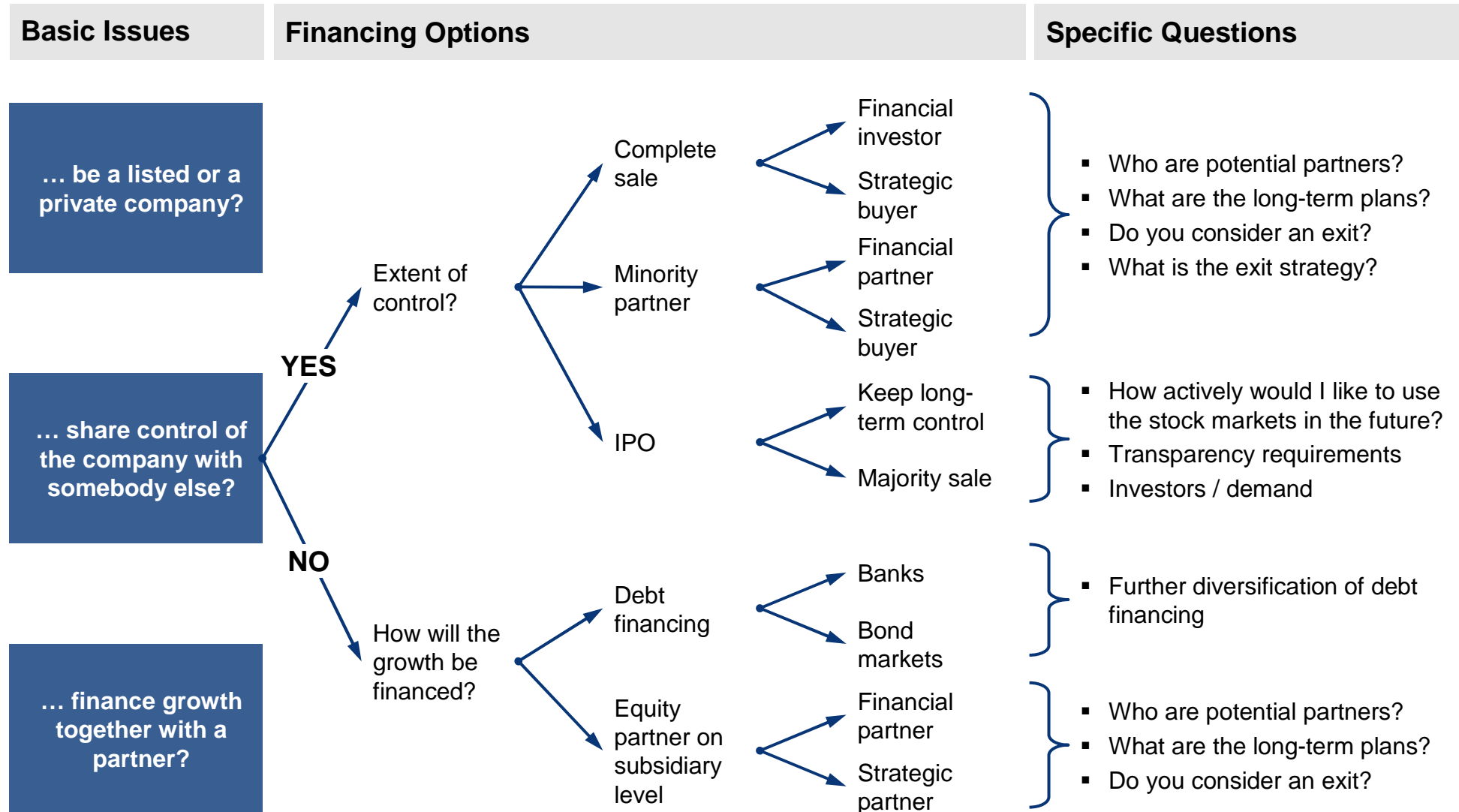
Source: Ipreo, Data as of 09/05/2012

Section 3

Pre-requisites for a successful IPO

Is the IPO the right thing to do?

I would like to....



IPO – Pros and Cons

Going public is one of the most important decisions in a company's life

An IPO is not a walk in the park

Being a listed company even less

But it will make your company better than ever before!

Pros

- The IPO opens a long-term sustainable source of financing.
- Strengthening the equity base shifts the company to a higher level in expansion plans.
- The share can be used as acquisition currency.
- Investors will constantly challenge the management to push the company to the limits.
- The IPO offers the possibility to stay independent.
- Positive spill-over effects on products or services
- Higher attractiveness for employees (MSOPs, ESOPs)
- Financing banks like it



Cons

- Tough hurdles to be taken
 - financially
 - legally
 - story wise
 - organisationally
 - reporting wise
- Ongoing publicity / investor relations
- High amount of documentation needed
- AGM resolutions may become more difficult to achieve



“Must Haves” for a successful IPO (1)

The management can make or break an IPO

1) Get the right management in place

- No vacancies in the top management, at least CEO + CFO
- Experienced in the industry and with investors
- Convincing
- Ready to communicate with the financial community
- Experienced and diversified supervisory board / non-executive board members
- Strong 2nd management level

Investors have thousands of different investment vehicles to choose from

Can you offer anything the others cannot?

2) Sharpen your strategy and build the story

- Attractive industry
- Clearly defined unique position in this industry
- Sustainable competitive advantage
- Cost leadership vs. quality leadership
- Use of proceeds out of IPO perfectly fitting into the strategy
- Get rid of non-core assets
- ...and put it all in a professional business plan / info memo before contacting investment banks

“Must Haves” for a successful IPO (2)

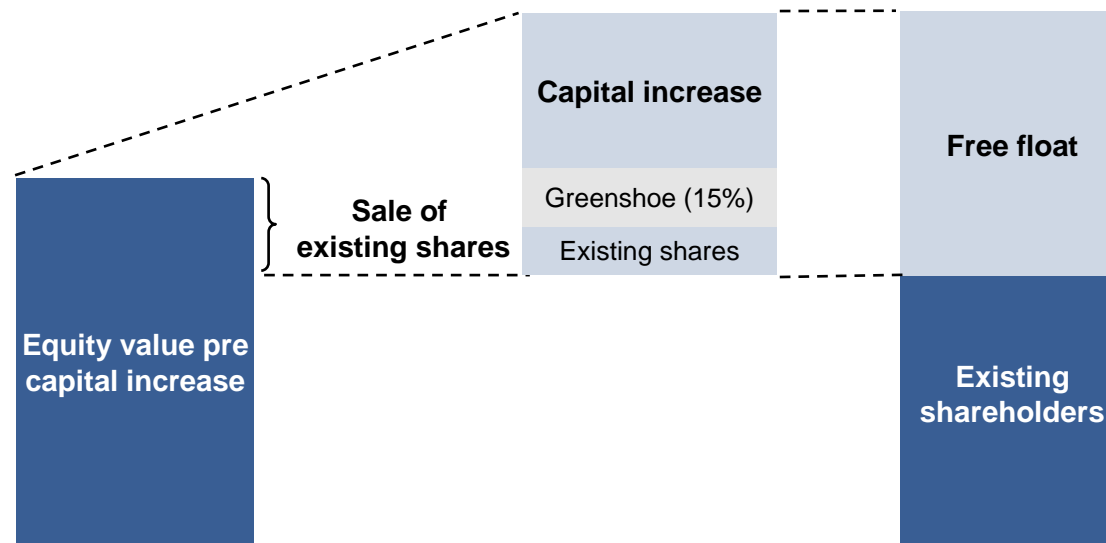
Investors prefer to finance future growth

Especially in the current capital market environment investors focus on liquidity, liquidity and liquidity!

Exemplary transaction structure assuming a EUR 100mn transaction

3) A well balanced transaction structure

- Reasonable balance between capital increase and sale of existing shares
- Use of proceeds out of IPO perfectly fitting into the strategy
- Minimum deal size of at least 50mn
- Sufficient free float (>25%) is decisive for the liquidity and is also required by investors
- Greenshoe option as a stabilisation instrument
- Lock up of 6 to 12 month for management, existing shareholders and company

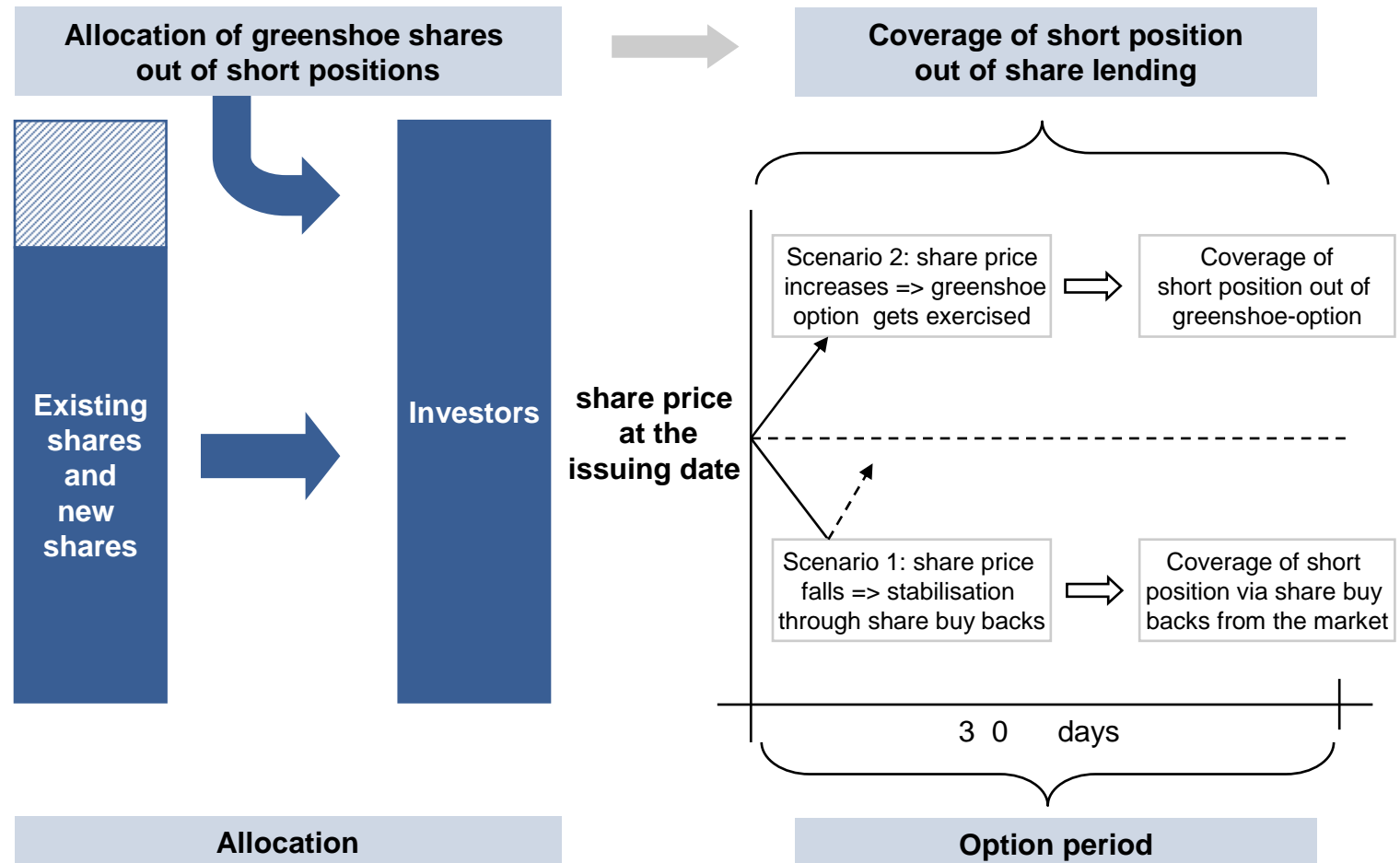


“Must Haves” for a successful IPO (3)

The so called “greenshoe” is a call option issued by an existing shareholder or the company

It helps to stabilise the share price in the immediate after market and is hence an important factor for a successful share price development in the long run

3) A well balanced transaction structure (cont.)



“Must Haves” for a successful IPO (4)

Being a listed company without a professional financial reporting is like diving without flippers....

4) Financial reporting requirements

For the prospectus

- Audited financial figures for the last 3 years on a consolidated basis
- Latest quarterly report reviewed (depending on timing)
- Most recent financial figures must not be older than 135 days at the date of closing the transaction

For future reporting

- International accounting standards
- Segmentation fitting structure and strategy (primary and secondary segmentation)
- Define key ratios for future reporting (analysts guidance)
- Get ready for quarterly reporting
- Mandatory publications within certain time (e.g. annual reports within 4 month, quarterly reports within 2 month); depending on stock exchange and segment

For the due diligence

- Fully integrated business plan for the next three years
- Establish a modern management information system and learn to use it

“Must Haves” for a successful IPO (5)

All the companies out there produce the same: CASH

Maximise it

5) Switch to value-based management and show resilience

- Get used to EVA (“Economic Value Added”) and ROCE (“Return on Capital Employed”)
- Define a set of core target ratios and communicate them constantly to the market
- Do not forget the balance sheet as source of value creation
- Your business model should be water-proof in the long run (i.e. “resilient”)
- Get rid of non-core assets

Before facing the lions it is a good idea to play with a jackal....

6) Practise with pre-IPO investors

- Private Equity sponsors offer “smart money” and are ideal sparring partner to prepare for the IPO
-and definitely there are some nice investment bankers left who will help you!

“Must Haves” for a successful IPO (6)

It's also decisive to identify investor concerns

7) Identification of investor concerns

Exemplary areas

- Corporate structure, related party transactions, ownership issues
- Market concerns, growth, goodwill, valuation
- Non core assets
- etc...

How to deal with them

- It is the investment bank's task to anticipate the investor's view
- Investor concerns
 - Should be identified early in the process in order to react in time
 - Should be taken into account when drafting the prospectus (especially in the chapters business, strength and strategy and financials)
 - Should be addressed in the analyst presentation
- Feedback of investors in the course of the investor education (later in the IPO process) helps to fine tune the selling arguments

- **The company's management must be able to convincingly address all investor concerns during the road show**

“Must Haves” for a successful IPO (7)

It's also important to allocate sufficient resources for the IPO process and the obligations once the company is listed

8) Challenges for companies

- International **IFRS accounting standards** implemented, figures available and audited in time
- **Business plan for the next 3-5 years** based on IFRS accounting
- An **efficient management information system** plus **adequate HR-capacity** to ensure publication of annual and interim financial statements within existing time limits (4 months / 2 months)
- Preparation of a **detailed company presentation** covering all business areas and the corporate strategy
- At least **CEO and CFO positions are appointed**
- The bank's due diligence work might more easily cause rumours among the company's employees (**confidentiality** issue)
- **Sufficient documentation** to assure a rapid and well structured preparation of data room files
- **Availability of the management board beside day-to-day business** for most important issues in the IPO preparation process, especially for
 - Due diligence interviews
 - Drafting meetings for prospectus, analyst presentation and road show presentation
 - Several meetings during the final phase of the preparation (2 weeks before start of road show)
 - Active selling phase: 2 weeks of international road show (total availability - no other meetings of your daily business are possible)
- **Investor Relations Manager** ideally to be recruited before start of preparations
- **Internal IPO project manager** to be appointed in order to disburden top management

The Beauty Contest

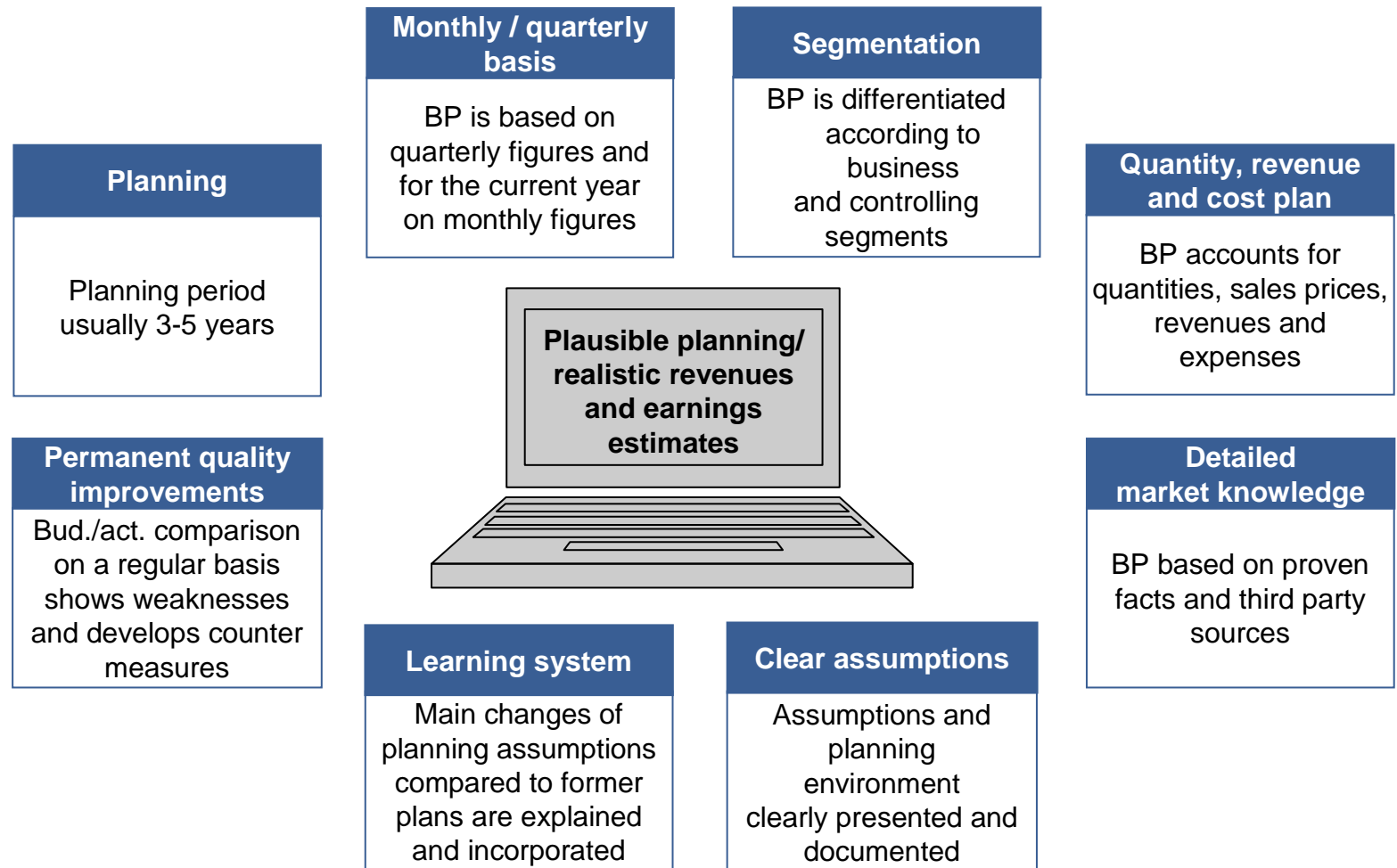
Material to be prepared

- Business Plan (including integrated budget)
- Financial statements of last business year
- Capital needs and use of proceeds
- Strategic positioning of the company on the markets
- Information about the industry, optionally market studies
- Reference clients
- Ownership structure, company structure
- History of the company
- Background of management
- Comparable and peer companies

Business Plan

The company's business card

*Together with you we
analyse and develop the
business plan*



The Beauty Contest

Selection of Lead Manager

Criteria for selecting the Lead Manager

Placement power / distribution capabilities

- Understanding of the business
- Access to key investors
- Online placement possibilities

Experience and Reputation

- Research quality
- Reputation with institutional investors
- Expertise in coordination of placement
- Project team

Support in the aftermarket

- Willingness to market making
- Research – periodical company reports and updates
- Aftermarket services



After mandating of the Lead Manager the syndicate members are selected

Supplement

- Placement power (institutional, retail, small-/mid-caps, regional)
- Research know how and expertise

Allocation of roles

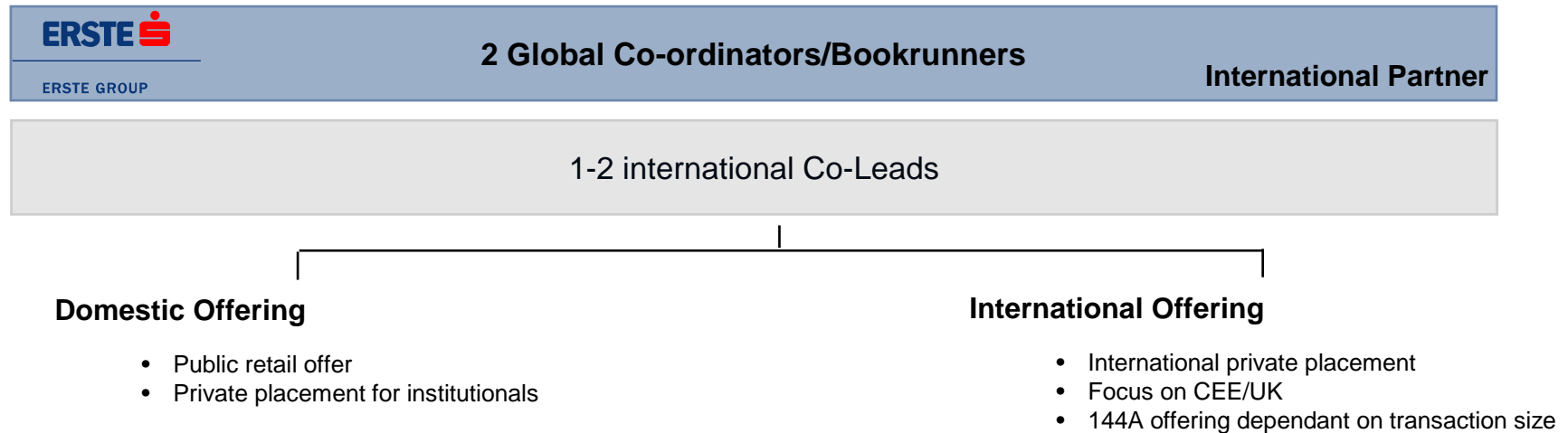
- Sole-/Joint-Bookrunner
- Sole-/Joint-Lead
- Allocation of selling fee and incentives
- Split of roadshow meetings

„chemistry“ and „politics“

- Efficient cooperation in the syndicate
- Coordinative approach also in difficult market environment

Syndicate Structure

Example for an efficient syndicate



A small syndicate is favourable for all participants:

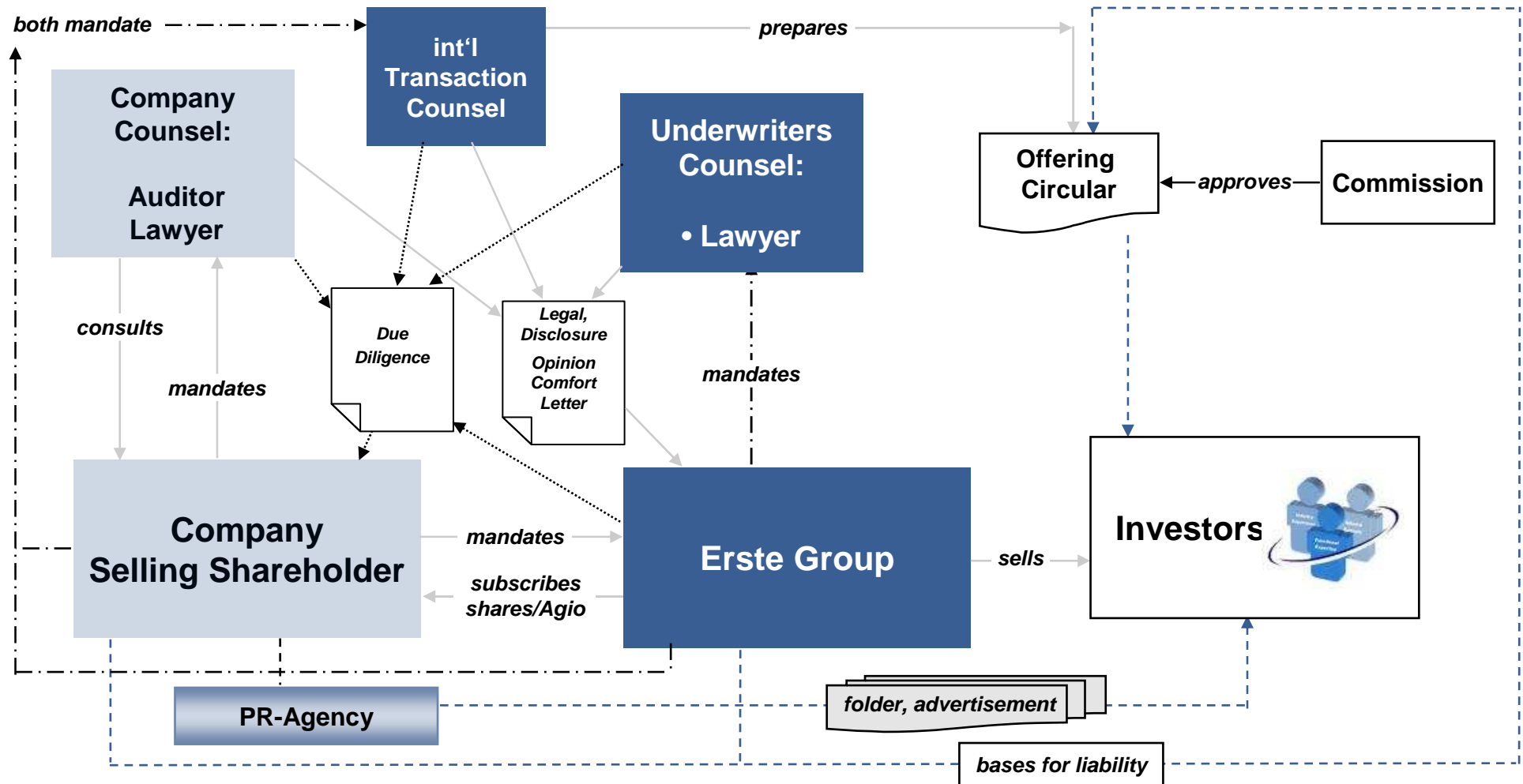
- Small syndicates ensure a sufficient fee share and motivation for all syndicate banks
- Simplified and accelerated coordination between syndicate members
- Clear responsibilities in the syndicate
- Large number of junior partners increases bureaucracy and generates only small or no additional demand

Section 4

The IPO Process

IPO - Process

IPO process and the working parties



Stages of an IPO

Definition of responsibilities and selection of advisers

Decisions before starting with the IPO preparation

Appointment of responsible persons for each work stream and of a project leader in the company

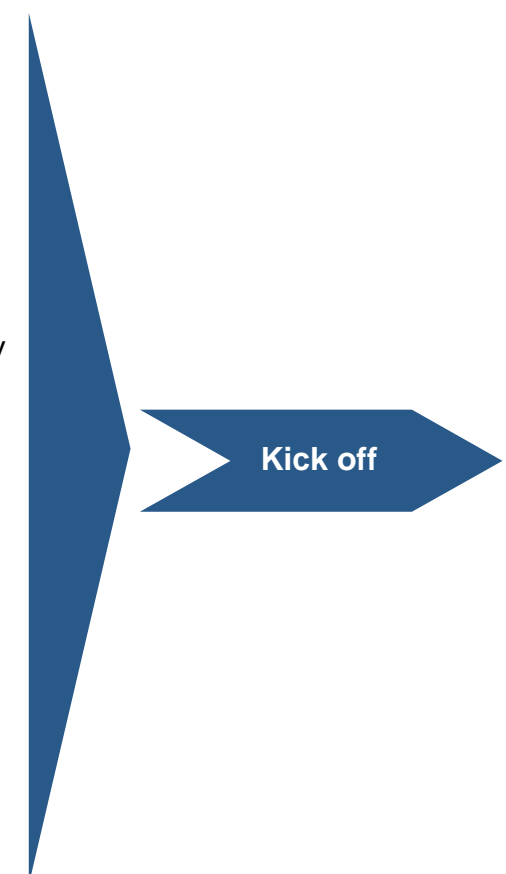
Selection of a transaction lawyer, company and issuer counsel

Auditor should be experienced in international offerings („Big Four“)

International lawyer with subsidiaries abroad, particularly important for companies with many subsidiaries, if public offerings are planned in several countries or a dual listing envisaged

Marketing / PR Agency

eventually official expert or appraiser



Stages of the IPO

Project team - company

Split of work in the company

Operational head of the project team

- **CEO:**
strategic decisions, presentations
- **CFO:**
financials (business plan, valuation), presentations, principal contact person for analysts
- **Head of accounting and controlling:**
prospectus; business due diligence
- **Head of legal department:**
prospectus, legal due diligence, compliance rules
- **Head IR/PR/marketing:**
development of IR events, coordination of marketing, roadshow, advertising
- **Head human resources:**
coordination and implementation of MSOP/ESOP and employee programs

Necessary input - management

Financials

- Timing of IFRS-figures (annual and quarterly reports)
- Preparation of mid term projections

Due Diligence

- Management presentation
- Q&A process with lawyers and banks

Documentation

- Analyst presentation
- Prospectus drafting

Marketing

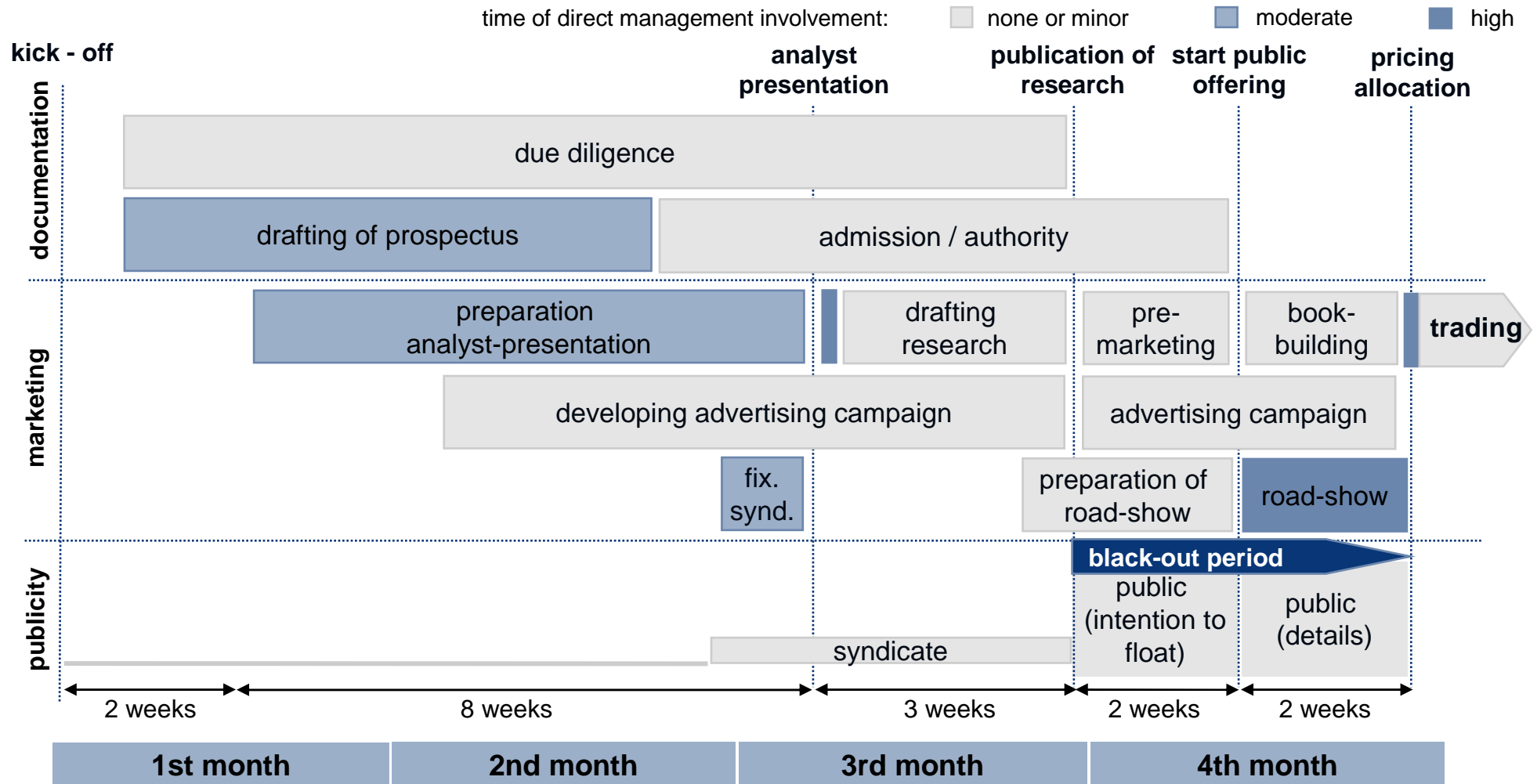
- Creation of IR and PR program
- Preparation of roadshow and roadshow participation (intense!)
- Drafting of roadshow presentation
- Press conference
- Price range and pricing
- Allocation

Others

- Corporate Governance
- Retail marketing
- Steering Meetings

IPO Timeline

Indicative timetable for an international placement



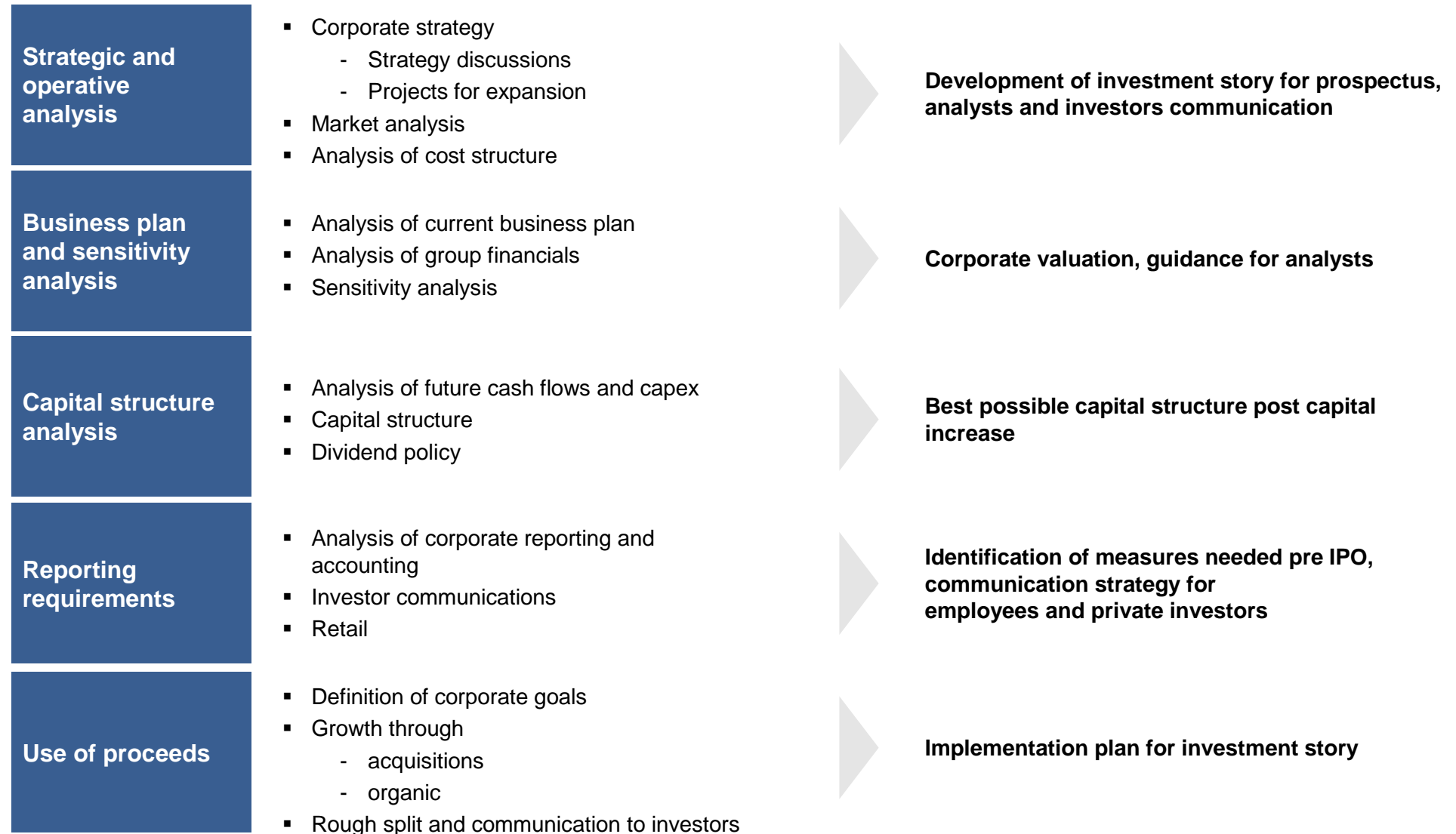
Section 5

Due Diligence and Valuation

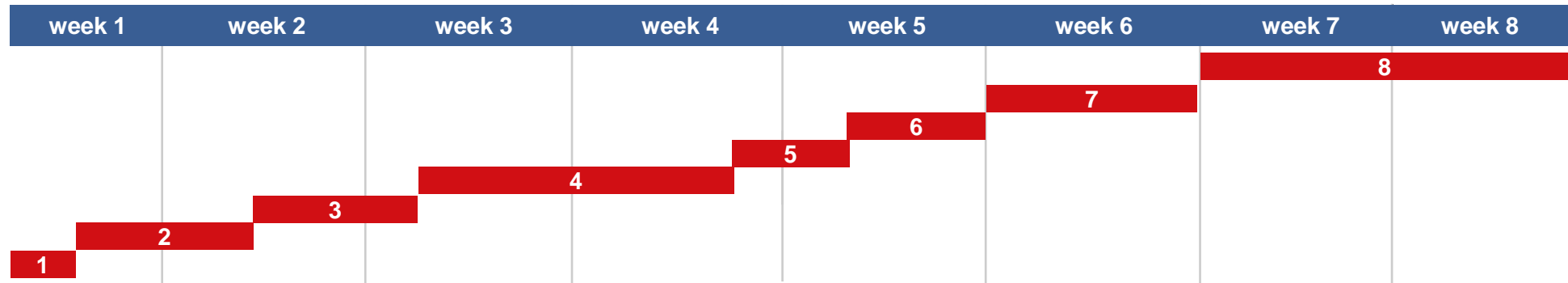
Why Business / Financial Due Diligence?

- **Legal requirement**
- **Additional benefits for the company**
 - Complete documentation of the organisation
 - Far reaching company analysis
- **Basis for a detailed understanding of the business and corporate valuation (incl. sensitivity analysis, identification of important business and value drivers)**
- **Assessment of status quo pre-IPO and transformation towards a capital market focused company**
- **Basis for drafting**
 - Business/market/competition/financial section in the prospectus
 - Analyst presentation
 - Roadshow presentation
- **Preparation for one-on-ones with investors**

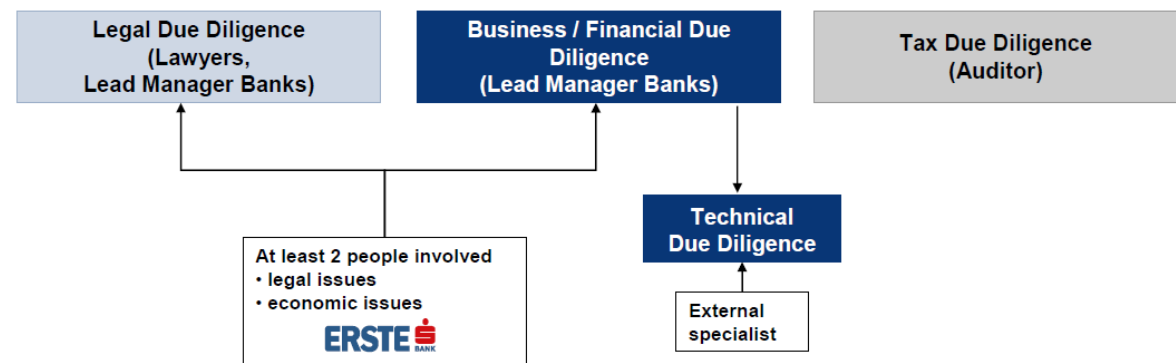
Due Diligence – Main Goals



IPO Due Diligence Process at a Glance



- 1) Set up due diligence team
- 2) Data room list, set up data room
- 3) Management presentations (incl. Q&A) as starting point for the due diligence
- 4) Review and analysis of documents in the data room
- 5) Question list for management meetings, additional data requests
- 6) Management meetings / interviews
- 7) Review additional data and finalise data room work
- 8) Company valuation



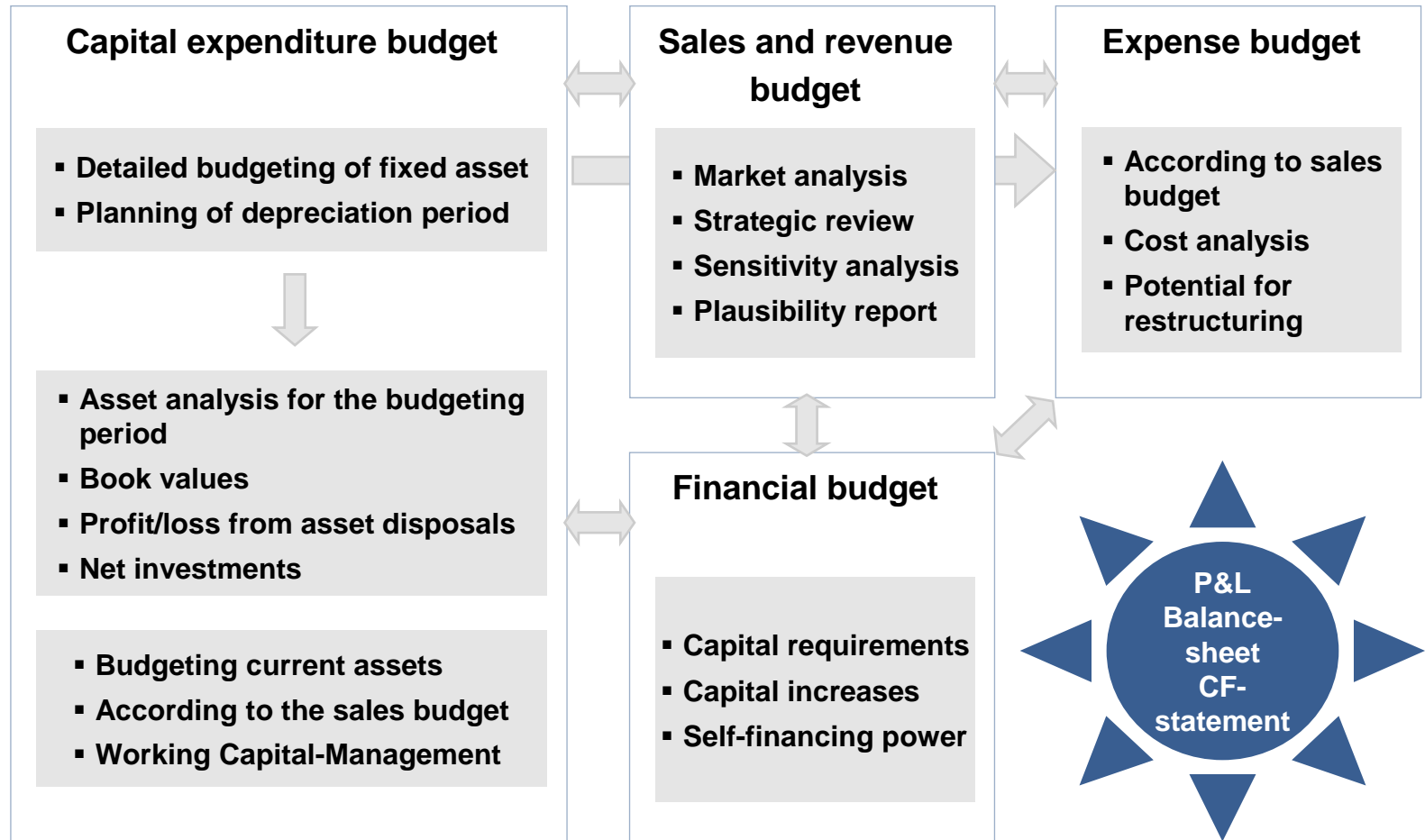
Financial Modelling

We build the budget of the client from scratch

We model your budget from scratch in a bottom-up approach

Key value drivers are identified and sensitivity analyses in these drivers run

The model is a powerful value-based management tool for every company



Valuation Methodologies

Frequently used valuation methods

Public Market Valuation

Share Price

- Market perception
 - Liquidity
 - Investor behaviour
 - Market dynamics

Comparable Companies

- Benchmark with peers
- Identifies company value on a stand-alone basis

Comparable Transactions

- Implied strategic value
- Identifies what buyers have been prepared to pay
- May reflect takeover battle

Private Market Valuation

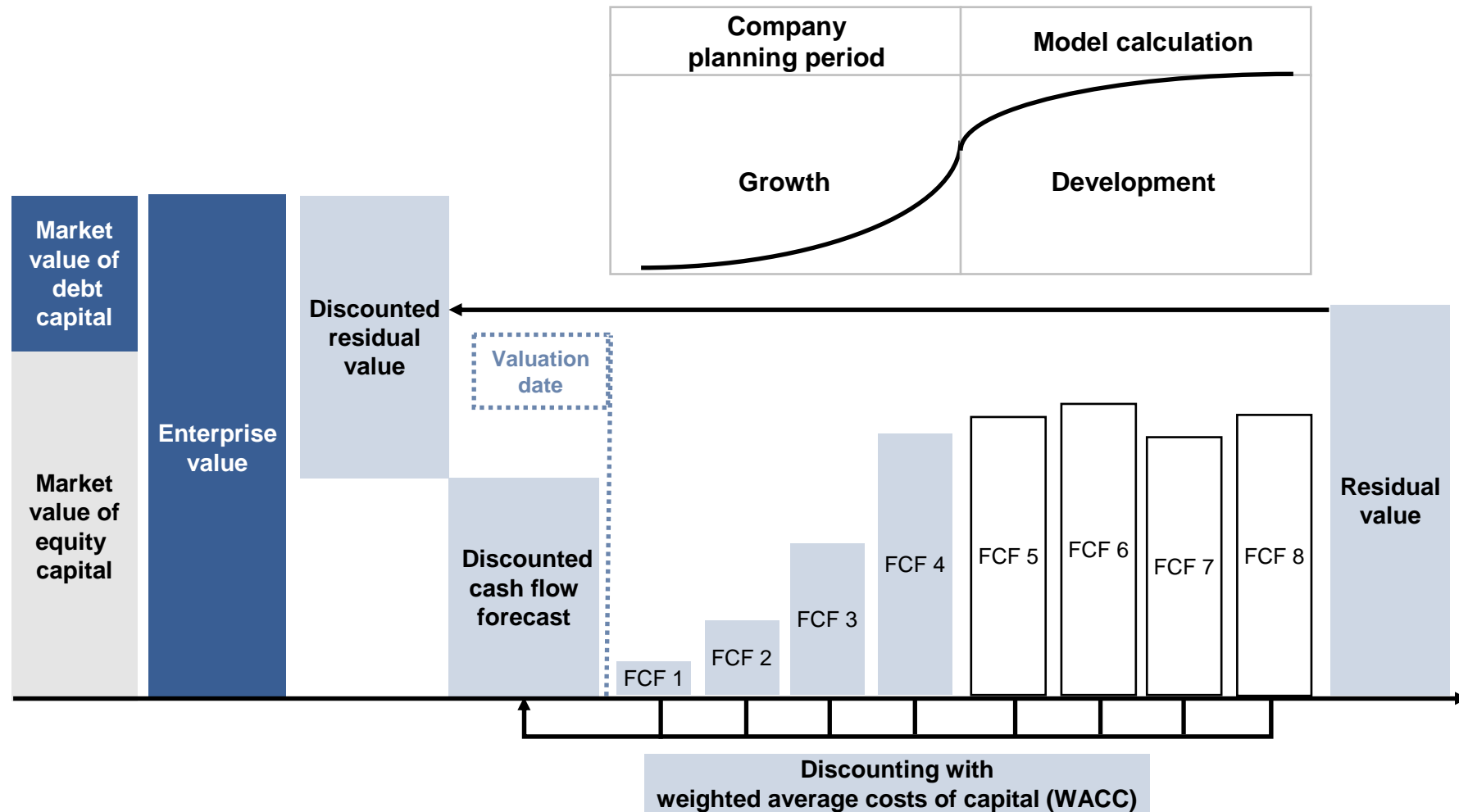
DCF

- Intrinsic Value of Concern
- Identify key value drivers
- Valuation sensitivities
- Quantify synergies

Regulatory Asset Value

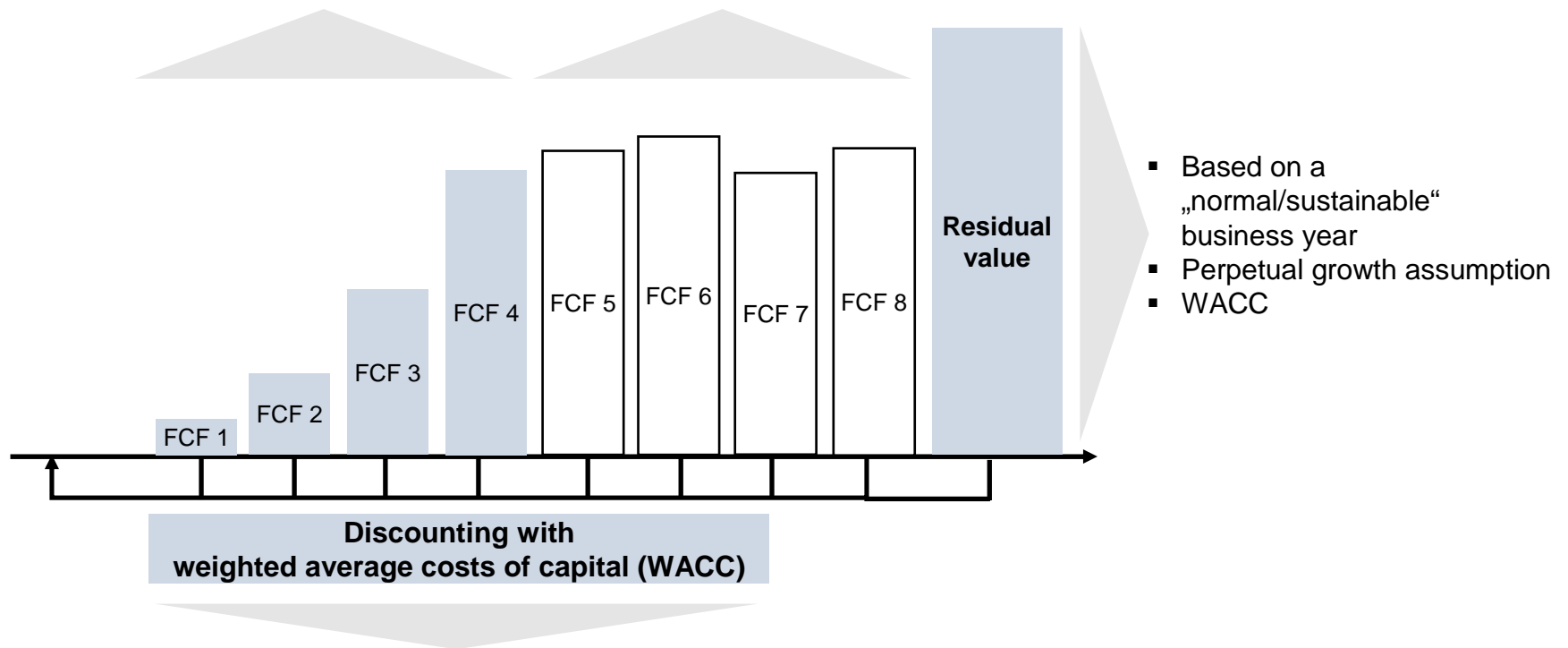
- Value of regulatory assets (typically utilities)
- Exposure to regulatory risks

DCF for Company Valuation



What drives the DCF Valuation?

- Business plan
- Corporate strategy
- Market development
- Economic cycle
- Product / price cycle
- Investment cycle



- Based on a „normal/sustainable“ business year
- Perpetual growth assumption
- WACC

- Cost of capital
- Capital structure
- Beta assumption

Multiple Valuation

Comparability of companies

Similar companies with respect to operating and financial characteristics

▪ Operations

- Industry and business economics
- Sales volume
- Earnings growth/margin
- Profitability
- Cash flow pattern
- Cyclicalities
- Regulatory environment

▪ Financials

- Gearing
- Capital structure
- Accounting policies
- Dividend policy

▪ Liquidity of stock

- Size of free float
- Controlling shareholders

Very suitable

Less suitable

Direct competitors

Similar business

Suppliers/customers

Multiple Valuation

How to identify peers

- **Discussion with management**
 - Main competitors
 - Similar business models / technology
 - Same regional focus

- **Listed competitors / main players in the industry**
 - Bloomberg / Reuters
 - Internet
 - Screening main players on the market and their peers

- **Market analysis / market studies**

- **Discussion with research department on an anonymous basis**

Multiple Valuation

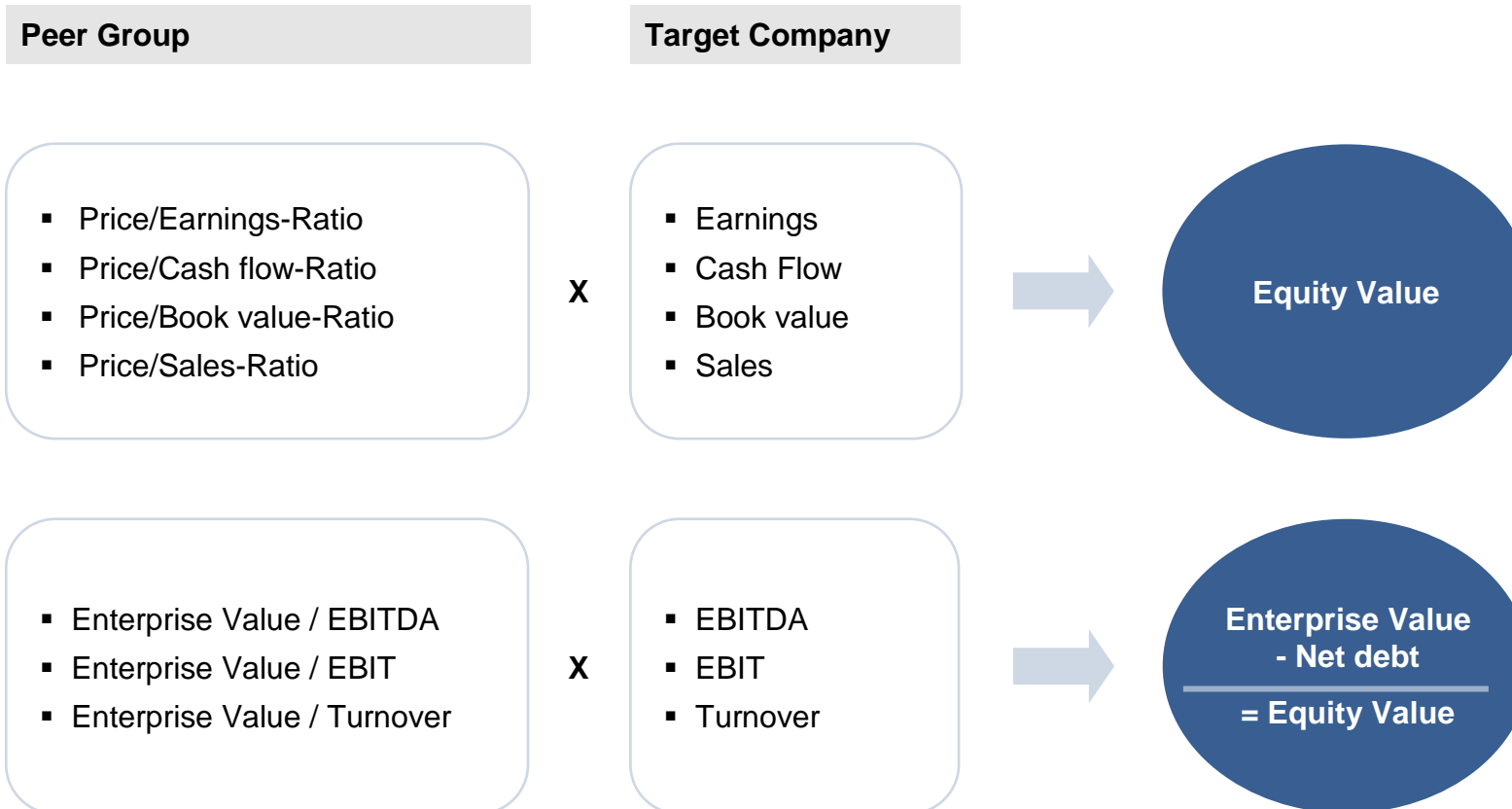
Concepts and company analysis

Multiples are always used by investors for a company valuation

EBIT- and EBITDA-multiples dominate

The peer group values used are based on estimates

The final weighting of multiples to determine a price range depends on timing, industry and market conditions



Multiple Valuation

Valuation parameters

Relative valuation based on peer group is generally preferred over the DCF valuation by investors

EBIT- and EBITDA-multiples dominate

The peer group values used are based on estimates

The final weighting of multiples to determine a price range depends on timing, industry and market conditions

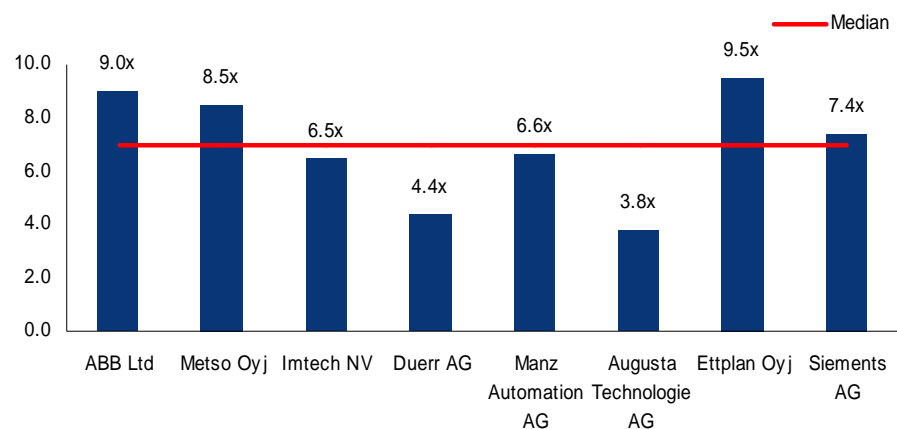
	Valuation	Remarks	Relevance
Relative valuation based on Peer Group	EV / Sales	<ul style="list-style-type: none"> Company's profitability not taken into consideration Used rather for broad value indication Rarely used 	✓
	EV / EBITDA	<ul style="list-style-type: none"> Very common due to its operating results approach No consideration of depreciation method 	✓ ✓ ✓
	EV / EBIT	<ul style="list-style-type: none"> Similar to EV / EBITDA Highly dependent on depreciation within the peer group 	✓ ✓ ✓
	P / E	<ul style="list-style-type: none"> Outcomes strongly depend on underlying tax-system Very popular but stronger influenced by accounting principles compared to EV/EBIT(DA) Omission of varying interpretations of net debt 	✓ ✓
Fundamental	Discounted Cash Flow Method	<ul style="list-style-type: none"> Compared to Trading Multiples, DCF Method provides a fundamental view of the enterprise value DCF comprises a few critical aspects but is recognized as a leading method High-growth companies are likely to show significantly higher results compared to Relative Valuation method 	✓ ✓

Multiple Valuation

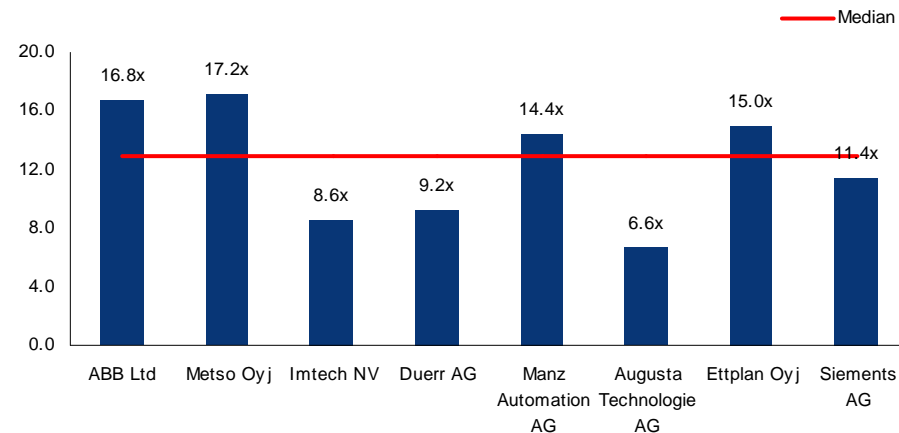
Example

Company	Market Cap (EUR.000)	EV/sales			EV/EBITDA			EV/EBIT			P/E		
		2011	2012e	2013e	2011	2012e	2013e	2011	2012e	2013e	2011	2012e	2013e
ABB Ltd	26,735,980	1.0x	1.1x	1.1x	6.4x	7.8x	9.0x	7.3x	9.4x	10.9x	11.9x	14.5x	16.8x
Metso Oyj	1,881,084	0.5x	0.6x	0.7x	3.8x	6.7x	8.5x	4.6x	9.6x	14.0x	4.8x	12.4x	17.2x
Imtech NV	1,071,305	0.4x	0.4x	0.4x	6.7x	6.1x	6.5x	8.3x	7.3x	7.8x	9.5x	8.1x	8.6x
Duerr AG	212,623	0.2x	0.2x	0.2x	2.2x	4.0x	4.4x	2.5x	5.5x	6.4x	4.8x	8.7x	9.2x
Manz Automation AG	176,066	0.6x	0.9x	0.8x	3.6x	9.0x	6.6x	4.1x	8.7x	6.2x	7.8x	25.6x	14.4x
Augusta Technologie AG	65,797	0.5x	0.6x	0.6x	3.0x	3.8x	3.8x	3.5x	4.7x	4.7x	4.8x	6.5x	6.6x
Ettplan Oyj	60,538	0.5x	0.7x	0.6x	5.8x	15.6x	9.5x	6.6x	25.2x	12.5x	7.5x	35.3x	15.0x
Siemens AG	48,388,790	0.8x	0.8x	0.8x	12.4x	7.3x	7.4x	33.5x	10.6x	11.0x	8.3x	11.5x	11.4x
Lower Quartile		0.4x	0.5x	0.5x	3.4x	5.6x	6.0x	4.0x	6.9x	6.4x	4.8x	8.5x	9.1x
Median		0.5x	0.6x	0.7x	4.8x	7.0x	7.0x	5.6x	9.1x	9.3x	7.6x	11.9x	12.9x
Upper Quartile		0.6x	0.8x	0.8x	6.5x	8.1x	8.6x	7.5x	9.9x	11.4x	8.6x	17.3x	15.5x

Overview of the EV/EBITDA multiples for 2012



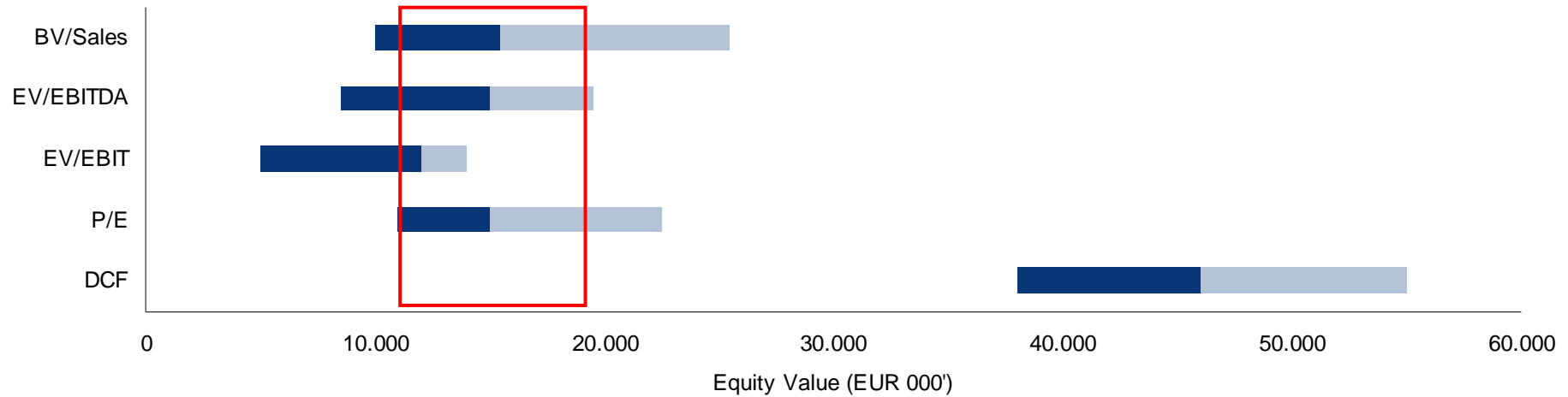
Overview of the P/E multiples for 2012



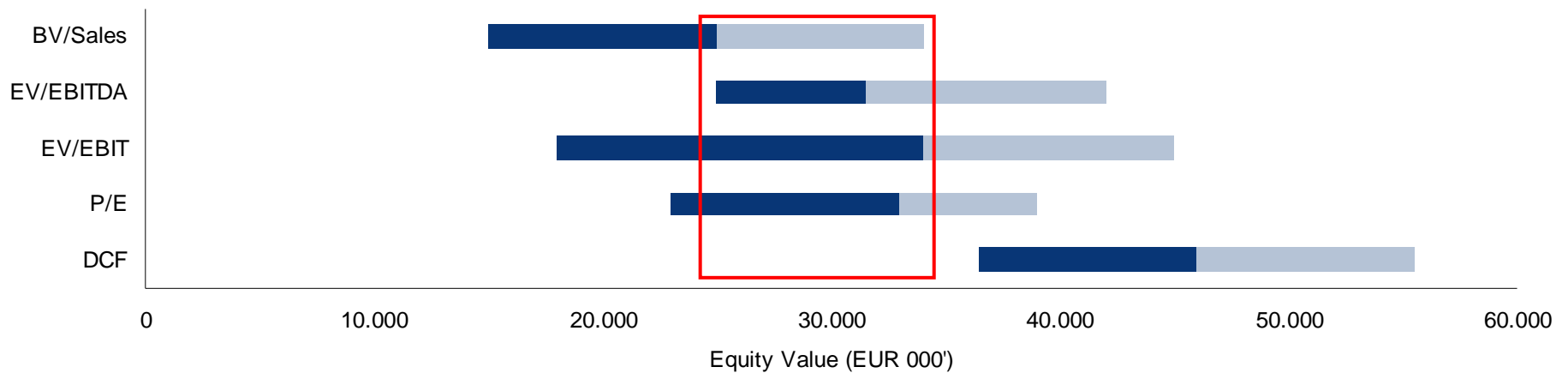
Multiple Valuation

Example valuation at a glance

Valuation summary of the XY company - 2011



Valuation summary of the XY company - 2012



Section 6

Selling the Deal

Investor Types (1)

There are various investor types with different “functions” in the selling process

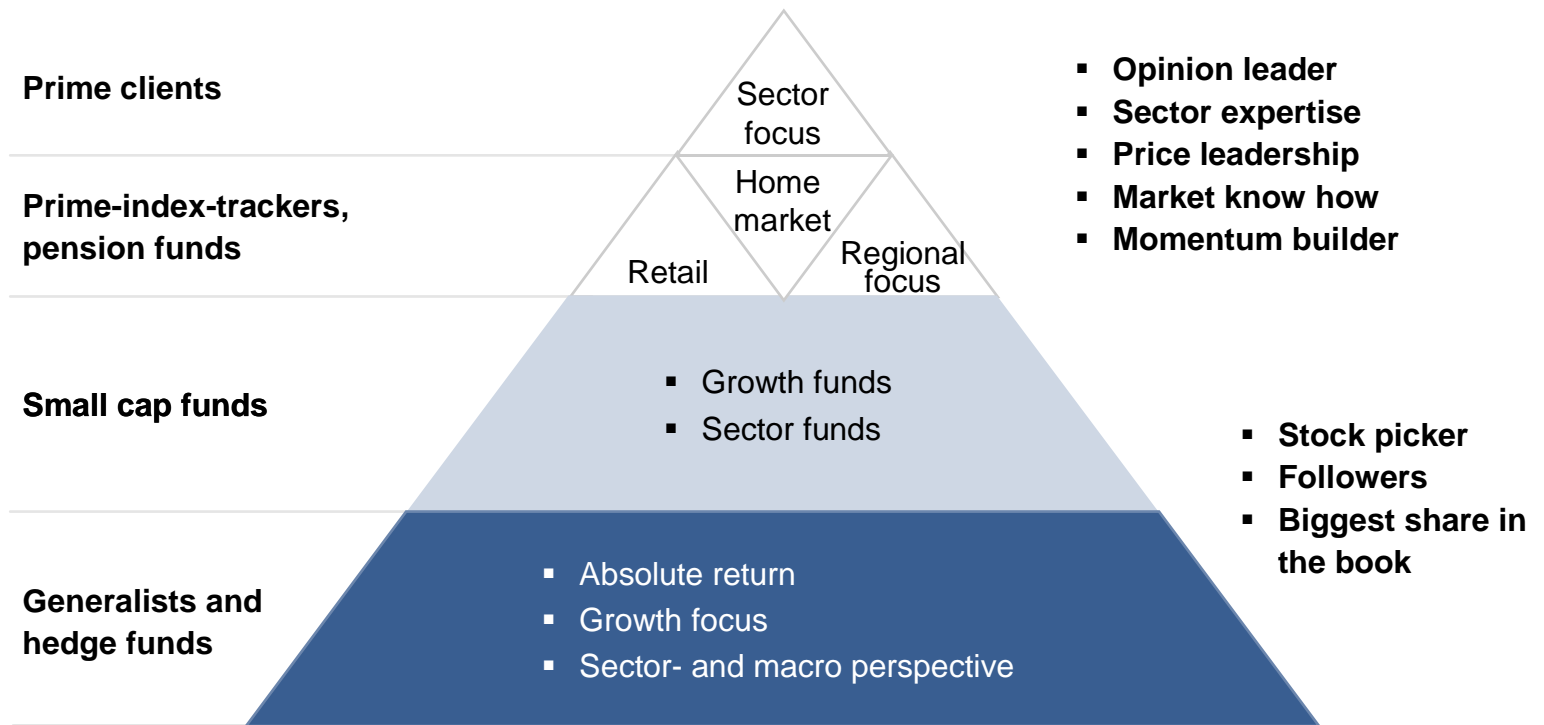
Its important to attract a broad range of investors

Key investors should be approached as early as possible

The majority of demand usually comes from institutional investors

However, there are good reasons for a retail offering as well

Investor types and their qualities



Investor Types (2)

Pros and cons of a retail offering

A retail placement offers you a number of advantages

Erste Group's strong retail presence is able to lead your public offer to a success

Pros

- Retail placement assists in meeting free float criteria
- Public offering gives **access to private investors**
- Possibility to **address the financial community** (economic journalists, fund managers)
- Retail investors often receive only a **partial allocation** of shares in the IPO, which leaves retail investors hungry for more shares, **increasing liquidity** of the share
- Increase in the awareness level facilitates **spill-over effect** of public offering on services – transaction marketing draws public attention to the issuer
- According to our experience a substantial part of our retail customers tend to be “**firm hands**”
- In general, retail is early in the book and forms a **solid order base**
- Retail investors tend to be **less price sensitive**: most of the orders are “at market” or at maximum price of the offer



Cons

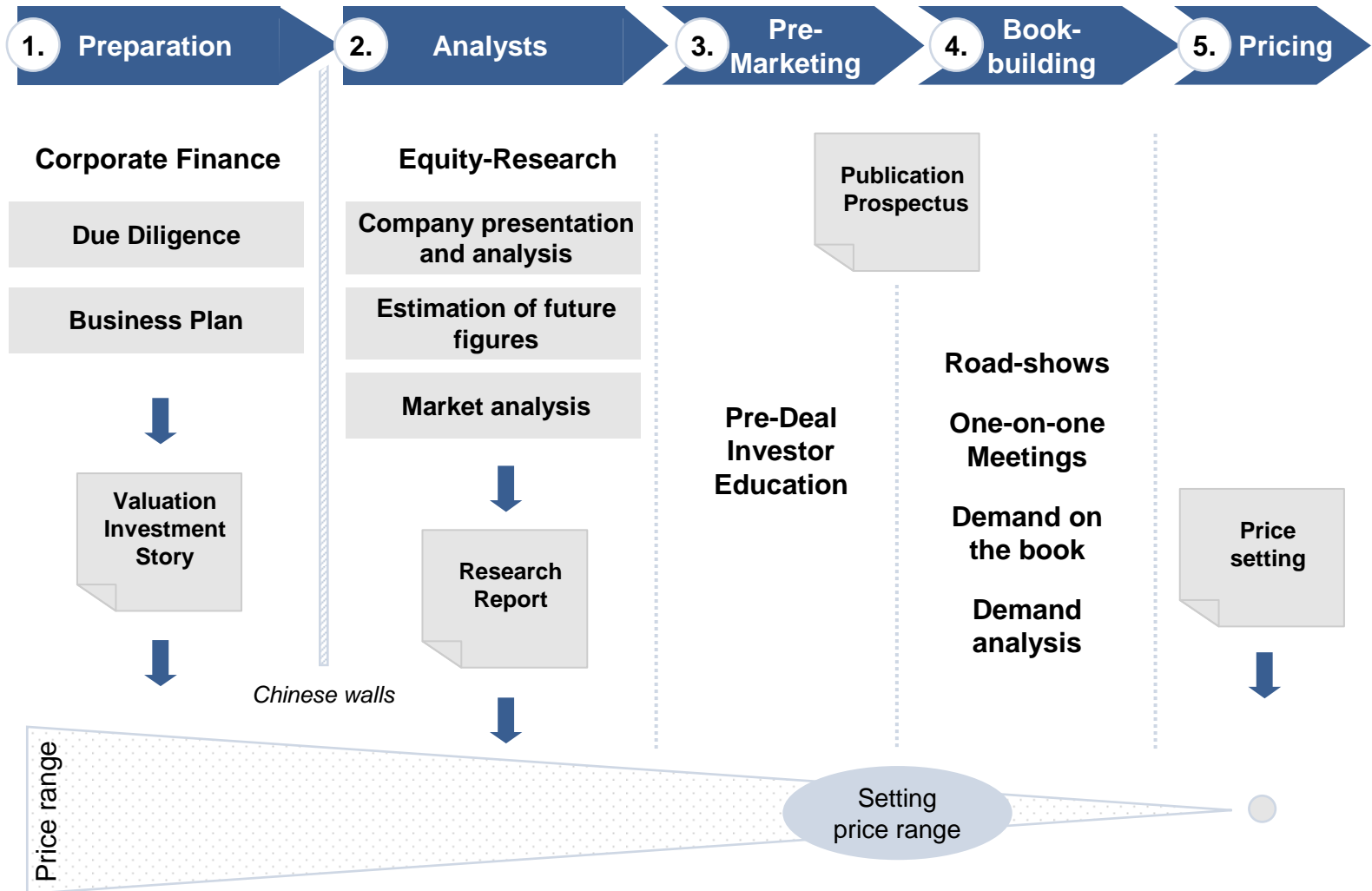
- Additional cost
- Time consuming
- Additional investor relations work
- Higher emotionalisation of AGM possible



Selling the Deal

Process of price determination

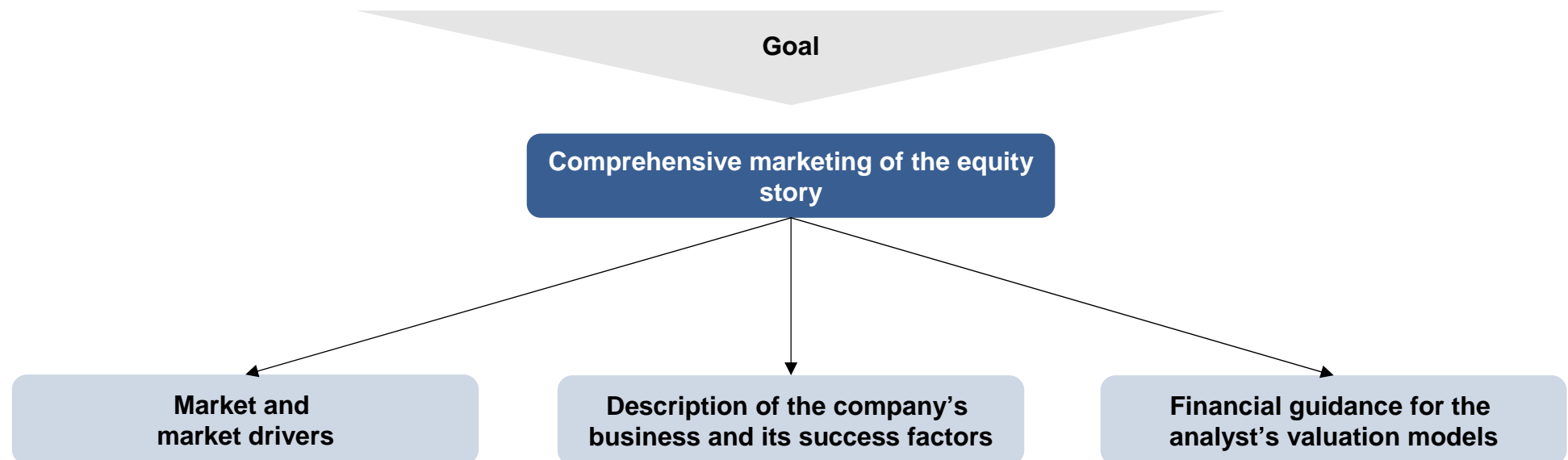
Reaching the optimal price for a capital markets transaction requires professional structures and a lot of experience of ECM, sales and research teams



Selling the Deal

The analyst presentation

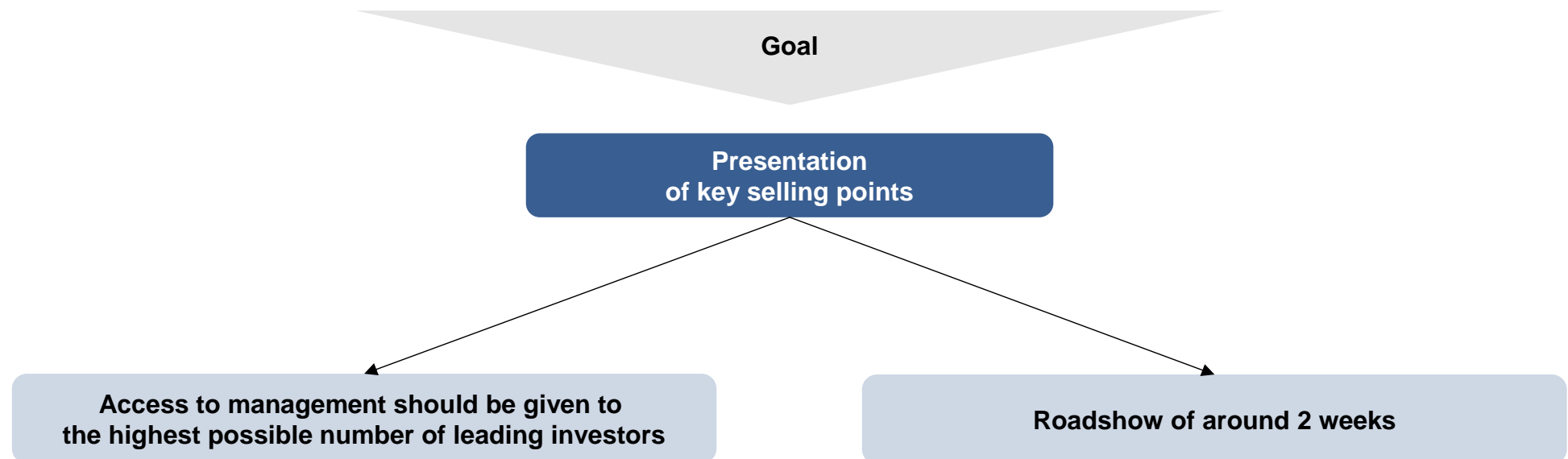
- Detailed presentation of the company and its business to research analysts of the lead banks
- Analysts draft their reports on the basis of the information received in the course of the analyst presentation
- Held by top management
- Usually 3 to 4 hours presentation
- Questions and answers session
- Site visits



Selling the Deal

The roadshow presentation

- Short and punchy presentation of the equity story
- Held by the roadshow team to investors in the course of the road show (one-on-ones, group meetings)
- Presentation is decisive for the investment decision
- Duration: max. 20 - 25 minutes
- Time for Q&A: 20 - 30 minutes



Selling the Deal

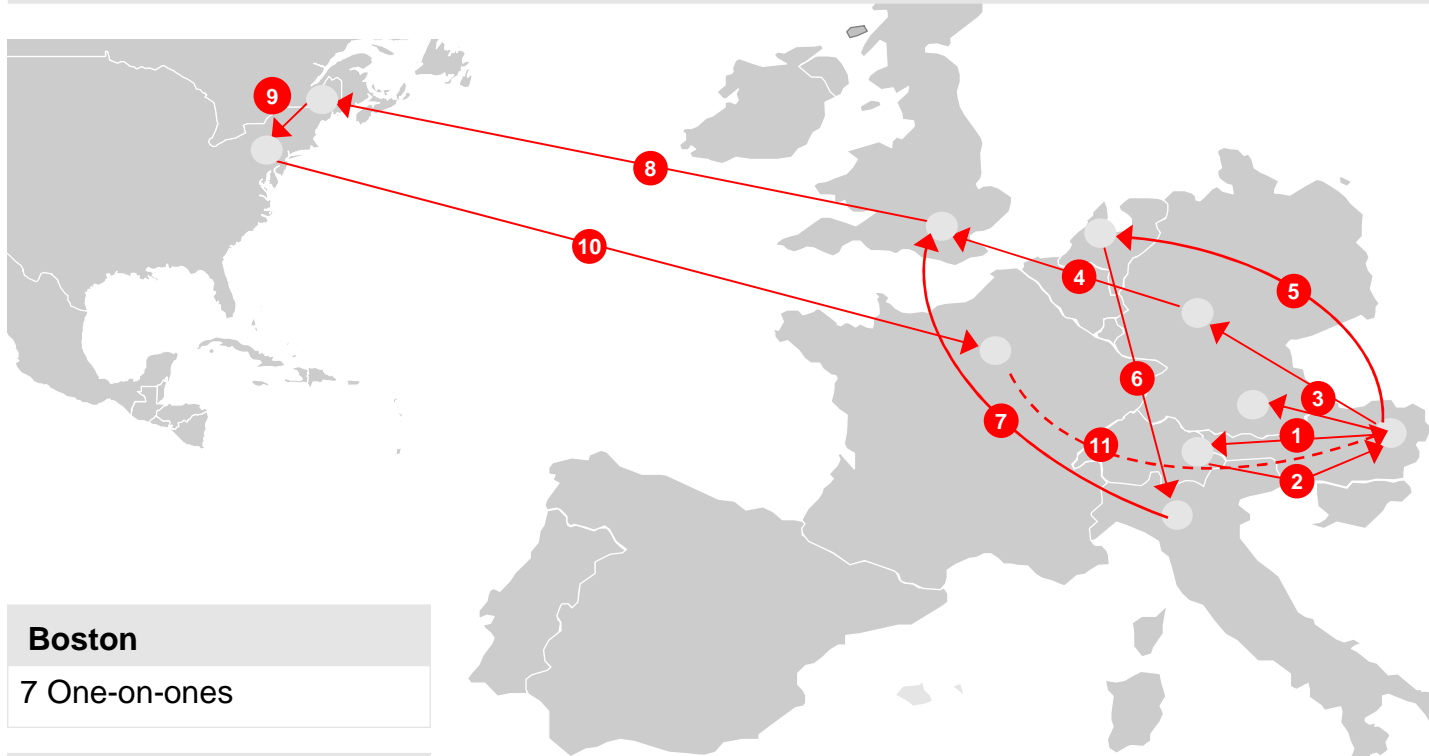
Marketing to institutional investors



Selling the Deal

Exemplary institutional roadshow of Austrian Post

**59 One-on-ones, 9 Group meetings with ~ 200 Investors
in 12 Days / 10 Cities / 8 Countries**



London

17 One-on-Ones
3 Group Meeting

Munich

3 One-on-Ones

Frankfurt

5 One-on-Ones
1 Group Meeting

Vienna

4 One-on-Ones
1 Group Meeting

Zurich

3 One-on-Ones
1 Group Meeting

Milan

5 One-on-Ones
1 Group Meeting

Boston

7 One-on-ones

New York

5 One-on-Ones
1 Group Meeting

The Netherlands

5 One-on-Ones

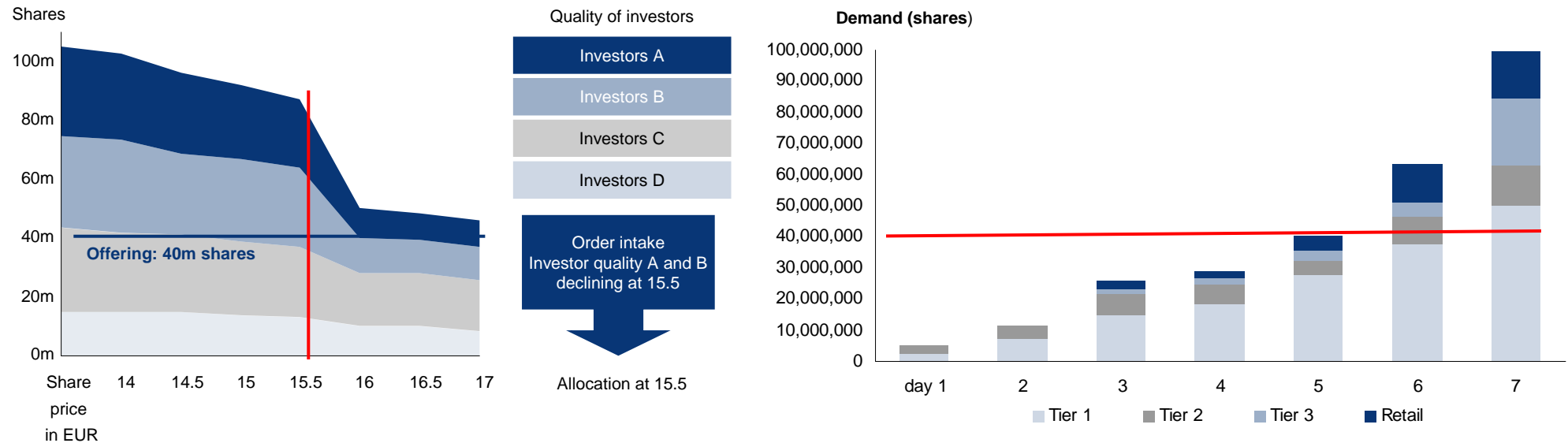
Paris

5 One-on-Ones
1 Group Meeting

Additional conference calls with investors in London, The Netherlands, Paris, Vienna.

Selling the Deal

Bookbuilding



- The order intake is usually recorded via bookbuilding system
- Interested investors may place their orders with or without price limits
- Different qualities of investors (tier categories) should be fixed in advance and included in the order book
- At the end of the bookbuilding process the pricing will be fixed at the maximum acceptable amount
- The bookrunners, the company and selling shareholder agree on the price and on the allocation of the shares to investors, referring to the chosen allotment criteria
- Investors will be informed about pricing and allocation

Selling the Deal

Allocation

European regulation

- Committee of European Securities Regulators (CESR) strives for unified regulations concerning the allotment of shares
- These regulations should be transformed into national law by the European member states
- The European concept focuses on transparency, allocation criteria have to be published in the Prospectus
- “Post-Allotment and Demand Disclosure” to inform investors

Allocation to institutional investors

- Based on bookbuilding results
- Allocation is a discretionary process between the company, the selling shareholders and the bookrunners
- Objectives and the allocation criteria to be defined in advance (according to investor qualities such as behaviour in the aftermarket, geographical considerations etc.)
- The allocation should lead to a well balanced investor base
- Allocation to different investor groups affects secondary market trading

Allocation to retail investors

- Equal treatment of investors in case of oversubscription
- Based on a defined quota of all the subscriptions – will stimulate investors to place higher than intended orders because of the expected reduced allocation
- First come – first served: Investors who subscribe first within the subscription period will be allocated first
- Encourages investors to place their orders early and creates momentum in the book
- Minimum order size possible

Section 7

Selection of Stock Exchange

Selecting the Market Place

Decision criteria for selecting the listing place

- High liquidity and market cap of the stock exchange
- Visibility of the issuer
- International investor base
- Understanding of CEE stories
- Listed peer companies
- Inclusion in relevant indices
- Regulatory procedures: Duration and flexibility of prospectus approval by competent authority of country of stock exchange where the listing will be / country of public offering
- Trading systems (state-of-the-art trading technology, settlement procedures, trading hours, derivative trading)
- Ongoing disclosure obligations
- Listing fees

General listing considerations

- In general a company should be listed in the country where it conducts the majority of its business BUT
- Serbian capital market development is still weak in terms of
 - Low liquidity
 - Limited international investor base
 - Trading system not state of the art
 - Not fully developed global account system
 - Small IPO track record and regulatory deficits etc.
- For an international transaction investors might require a listing on an “international stock exchange”

In order to fully exploit the share price potential we recommend to go for a dual listing

Dual Listing?

Pros and cons

London, Vienna and Warsaw could be an interesting supplemental stock market



Potential advantages of a dual listing

- Broadening and diversification of investor base
- Increase analyst coverage
- Improve investor and analyst perception
- Access to additional capital
- Establish visibility and brand recognition in a new market
- Increase globalised trading of the shares
- Create higher liquidity through extended trading member base
- Arbitrage opportunities may attract new investors and increase liquidity
- Possibility of derivatives on the shares
- F/X considerations: Listing in an additional denomination (EURO) could also attract new investor groups
- Investor relations support by second stock exchange (e.g. roadshows, investor days)
- Spill over effects from stock exchange to the company (reputation, peers,...)



Potential disadvantages of a dual listing

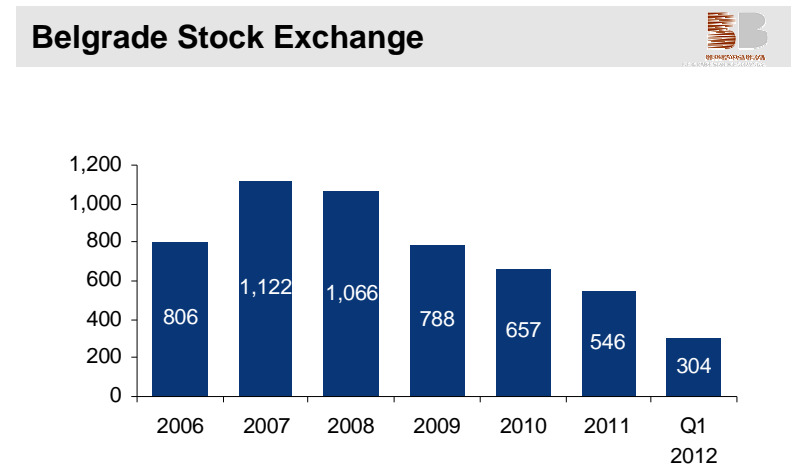
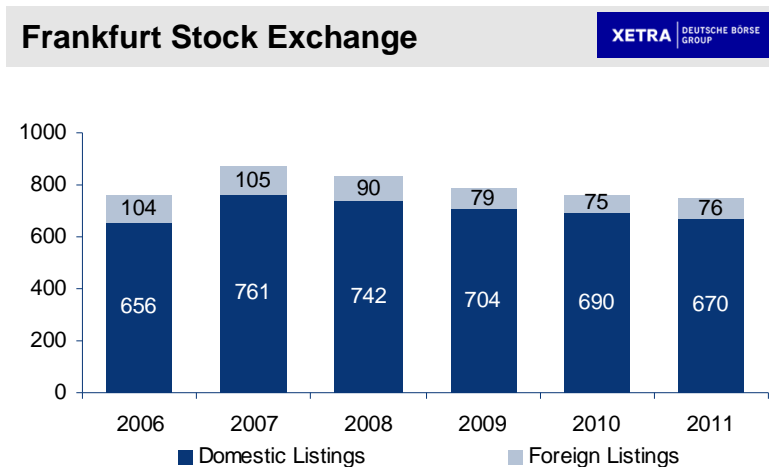
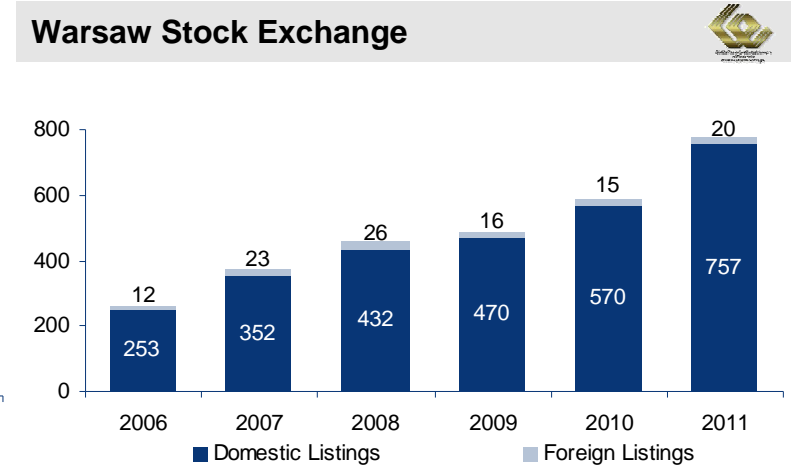
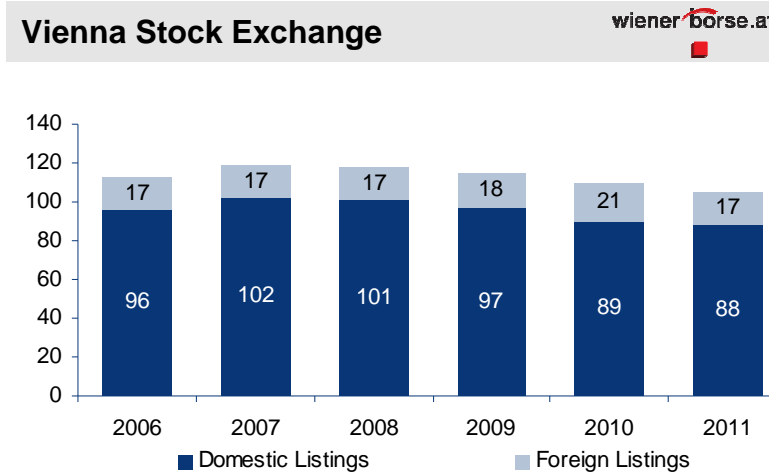
- Split of liquidity: rather a problem for smaller companies
- Additional costs

Stock Exchange Benchmarking

Number of listings

A big fish in a smaller pond - higher visibility on regional stock exchanges

But one has to keep an eye on liquidity on a stock exchange



Figures include domestic shares in all markets
Sources: Federation of European Securities Exchanges (FESE), World Federation of Exchanges (WFE), BELEX traded companies only

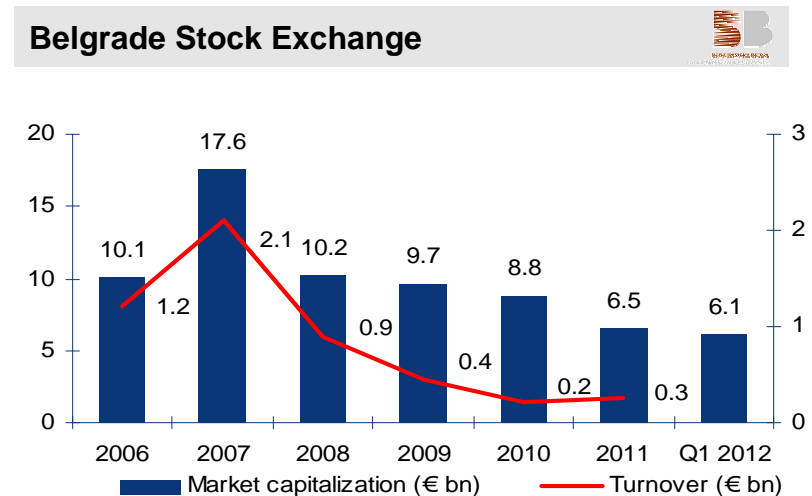
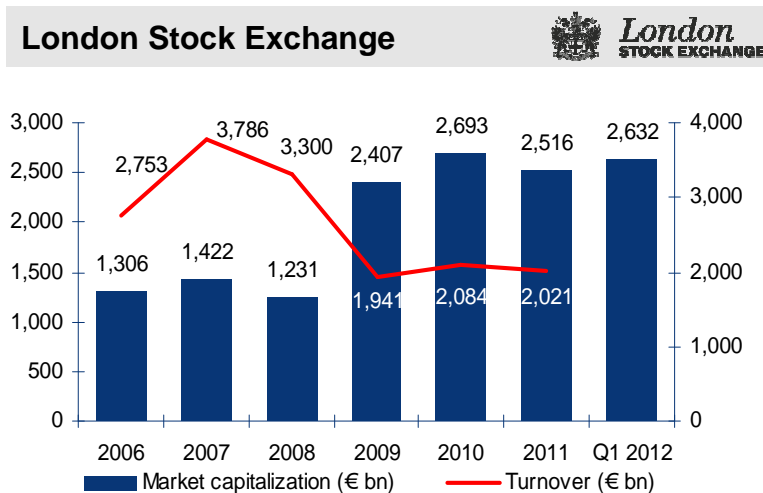
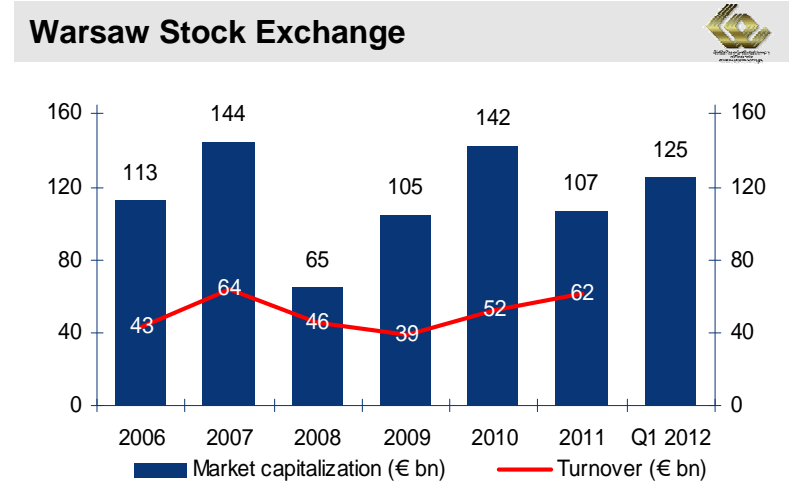
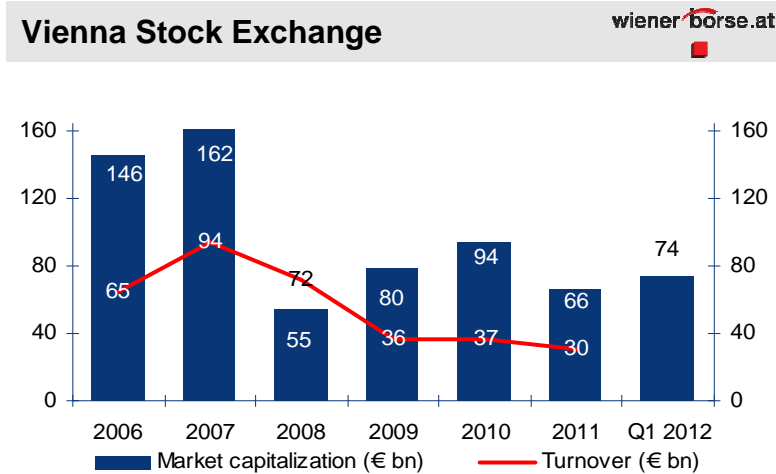
Stock Exchange Benchmarking

Market capitalization and turnover

London Stock Exchange main market is a broad and highly developed market

In the last 3 years turnover decreased in Vienna and London

Warsaw saw increasing turnover volume



Figures include domestic shares in all markets

Sources: Federation of European Securities Exchanges (FESE), World Federation of Exchanges (WFE)

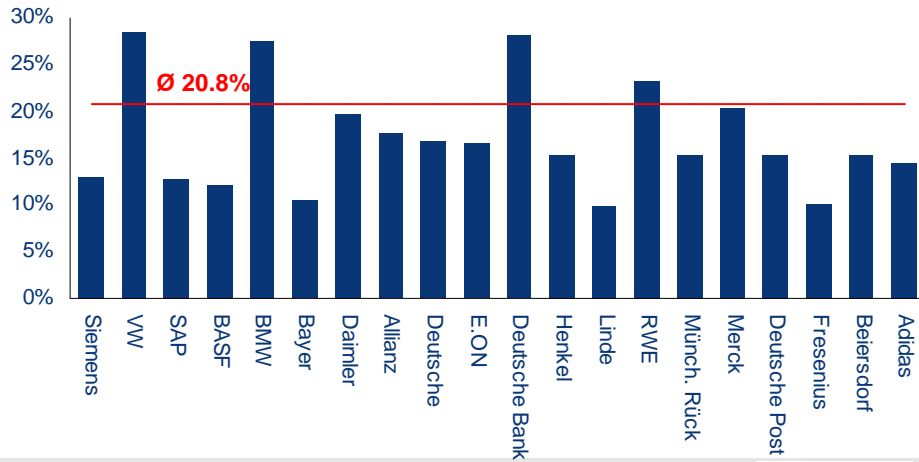
Stock Exchange Comparison

Liquidity

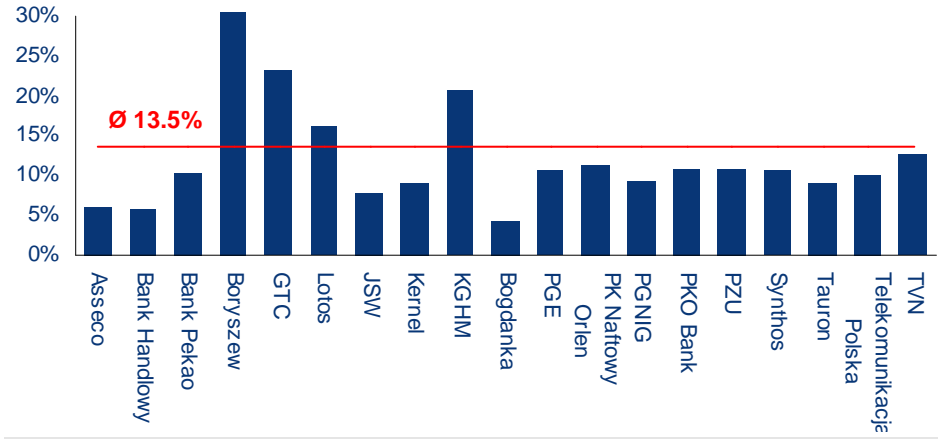


ERSTE GROUP

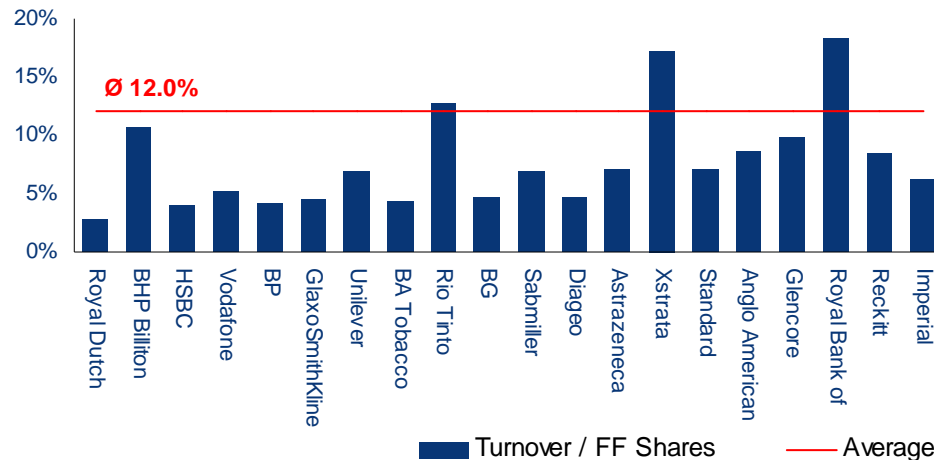
Frankfurt (DAX Index)



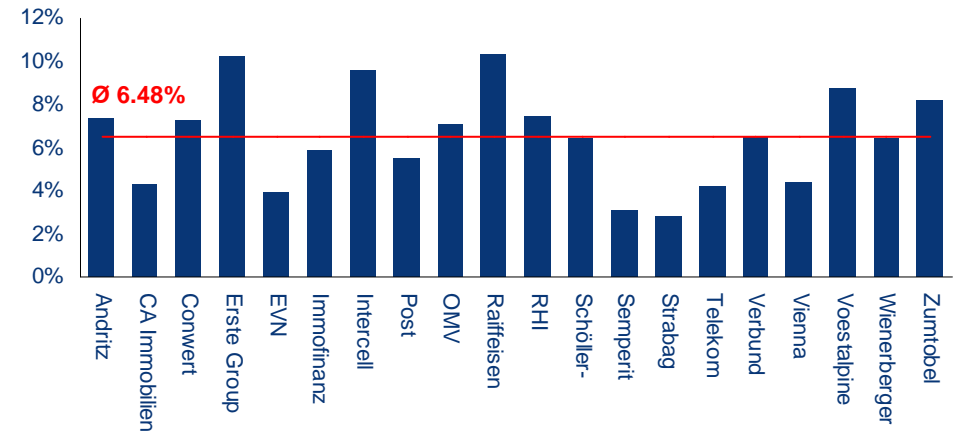
Warsaw (WSE WIG 20 Index)



London (FTSE 100 Index)



Vienna (ATX Index)

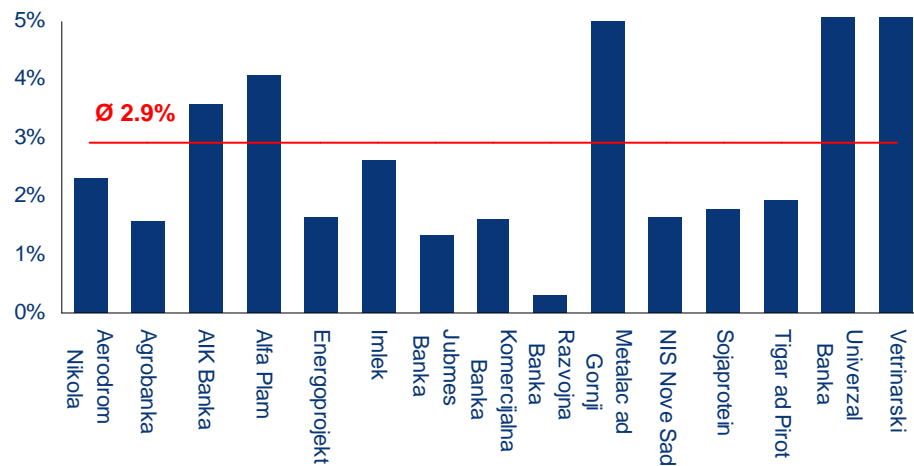


Source: Bloomberg as of 25/05/2012
The charts show the 30Day trading volume in percent of the free float capitalisation of the companies

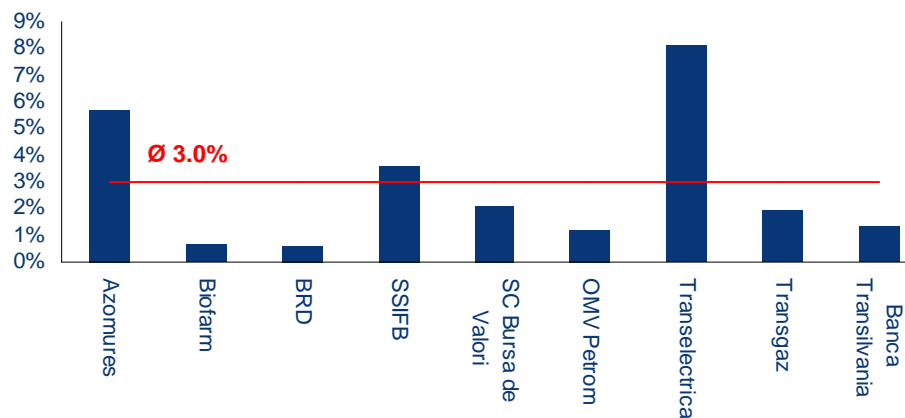
Stock Exchange Comparison

Liquidity

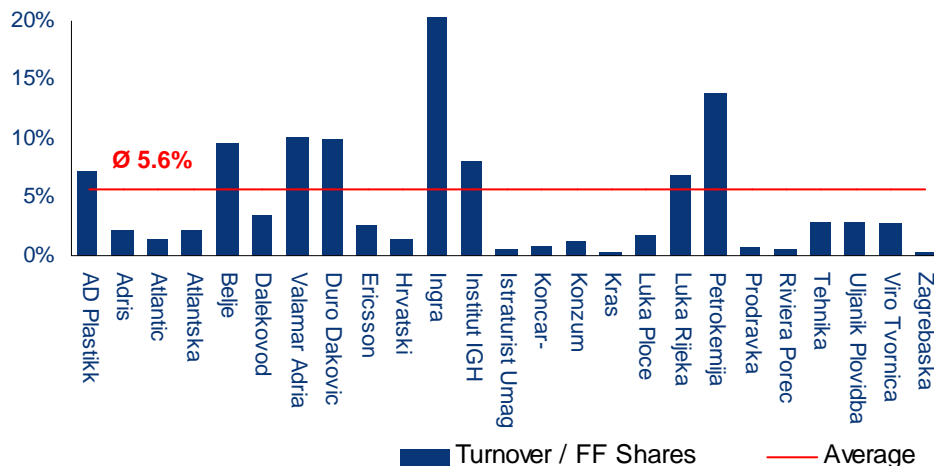
Belgrade (BELEX 15 Index)



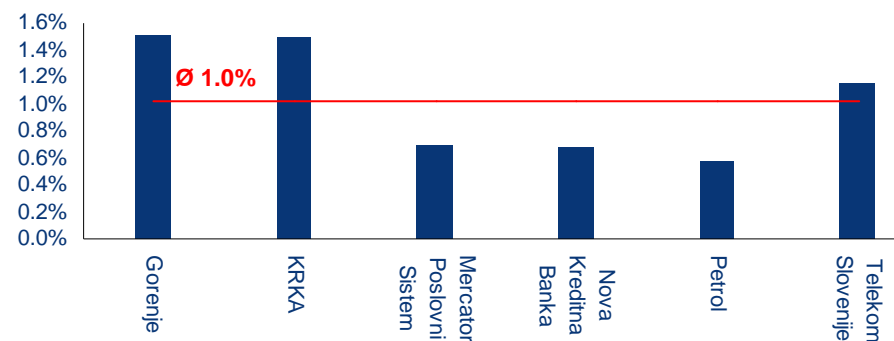
Bucharest (BET Index)



Zagreb (CROBEX Index)



Ljubljana (SBITOP Index)



Source: Bloomberg as of 25/05/2012

The charts show the 30Day trading volume in percent of the free float capitalisation of the companies

Stock Exchange Benchmarking

Which stock exchange?

London Stock Exchange

Pro's

- ✓ High profile international, established and liquid stock exchange
- ✓ Large number of listed companies and sector peers
- ✓ Access to large number of international investors
- ✓ Well established framework
- ✓ High liquidity

Con's

- ✗ "Small fish in big pond" – difficult to attract sufficient awareness
- ✗ Listing of GDRs
- ✗ Emerging Europe not in focus of investors
- ✗ High admission costs and other expenses related to listing
- ✗ GBP listing

Warsaw Stock Exchange

Pro's

- ✓ Strong domestic institutional shareholder base with focus on CEE companies
- ✓ Internationally accepted and the largest CEE stock market
- ✓ Strong visibility in the market
- ✓ Dynamic stock exchange
- ✓ Low admission costs

Con's

- ✗ Ongoing reporting also recommended in Polish language
- ✗ Conservative, P/E oriented
- ✗ Change in pension legislation
- ✗ Relatively low liquidity per share
- ✗ Challenging authority
- ✗ PLN listing

Vienna Stock Exchange

Pro's

- ✓ High visibility
- ✓ CEE focused international investor base
- ✓ Easy and predictable listing procedure
- ✓ International compliant market practice
- ✓ Comprehensive investor relation support from Vienna Stock Exchange
- ✓ EURO currency listing

Con's

- ✗ Lost market leadership in CEE
- ✗ Limited leverage of brand name
- ✗ Limited number of sector peers

Case Study DO&CO

Value of liquidity



ERSTE GROUP



- Intensified investor relations prior to the capital increase increased public awareness
- Through transaction free float was increased significantly
- The double listing in Istanbul resulted in additional broker coverage and increased liquidity of the shares
- Share price on a significantly higher level since transaction

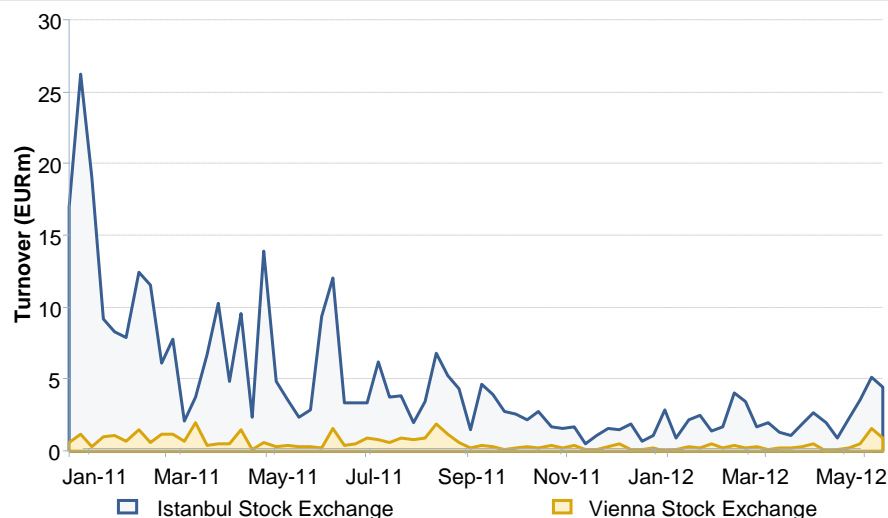
Case Study DO&CO

Effects of the double listing

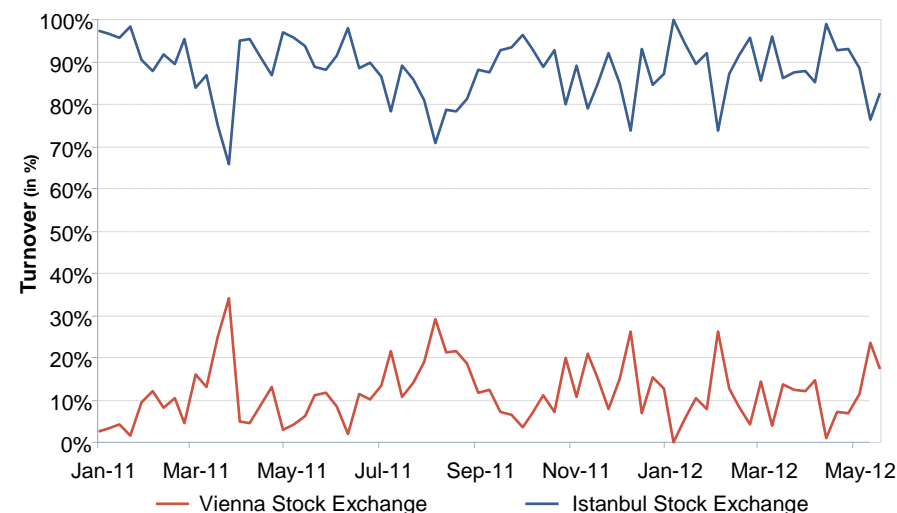


ERSTE GROUP

Weekly Turnover on ISE vs. VSE (in MEUR)



Weekly Turnover on ISE vs. VSE (in %)



Effects of the ISE double listing

- Massive improvement in overall trading volume
- Significant additional liquidity on ISE, small improvement of trading volume on VSE (due to difficult swaps between the two stock exchanges)
- Mostly 80-95% of the weekly turnover is on ISE
- Successful listing in two different currencies
- Well-established recognition of DO & CO brand in Turkey
- Additional listing in Turkey as logical step after massive acquisition and business development in Turkey
- Full-blown (IPO-like) offering in Turkey led to substantial number of Turkish retail and institutional investors and hence improved liquidity of the shares
- Significant increase of free float from 19% to 47%

Section 8

Legal documents in an IPO

The Prospectus

The offering document in an IPO

- The prospectus has to contain all information that is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses, and prospects of the issuer and of the rights attached to the securities
- Most important content for an offering to international investors
 1. Summary brief and in a non-technical language
 2. Risk factors
 3. IFRS-Financials (last 2 annual reports audited, most recent interim report reviewed)
 4. “MD&A” (Management’s Discussion and Analysis)
 5. “Cap Table” (overview on capitalisation and indebtedness), not older than 90 days
 6. “Working Capital Statement” (issuer declares that he is sufficiently capitalised to meet his business targets)
 7. Business, segmentation, investments
 8. Description of markets where the issuer is active
 9. Corporate structure, management structure
 10. Description of shares offered
- Prospectus gets signed by the issuer who is also liable for the content

Other important legal Documents

Most important contracts

Mandate letter	<ul style="list-style-type: none">▪ Mandate to prepare for the IPO<ul style="list-style-type: none">- Work split- Fees, out-of-pocket expenses- Pricing mechanism- Termination rights
Research guidelines	<ul style="list-style-type: none">▪ Guidelines regarding basic principles in connection with research drafting
Publicity guidelines	<ul style="list-style-type: none">▪ Guidelines regarding basic principles of confidentiality and publicity
Underwriting agreement	<ul style="list-style-type: none">▪ Underwriting of offered shares▪ Guarantee of the proceeds out of the transaction▪ Representations & warranties▪ Indemnification
Agreement among managers	<ul style="list-style-type: none">▪ Contract among investment banks▪ Main topic: agreement regarding underwriting quotas
Share lending/ option agreement	<ul style="list-style-type: none">▪ Provision of shares for the greenshoe
Paying agent agreement	<ul style="list-style-type: none">▪ Nomination of a paying agent for the shares

Comfort Letter, Legal Opinion

Most important provisions

Comfort letter

- Auditor of the issuer confirms:
 - To be an independent auditor
 - That he has audited the annual reports contained in the prospectus
 - That he has reviewed the interim reports contained in the prospectus
 - That specific figures in the prospectus comply with the figures in the respective reports
 - Agreed-upon procedures for the time since the latest interim report
 - Check of the tax-related chapters in the prospectus
 - Bring-down letters at pricing and at closing

Disclosure opinion

- Issuer's and underwriter's counsel confirms:
 - Based on the conducted due diligence the respective law firm confirms that nothing has come to their attention to lead them to believe that the prospectus contains untrue statements or omits material information
 - No opinion regarding financial information, economical and statistical data as well as contained information related to that
 - Bring-down letters at pricing and at closing

Legal opinion

- Confirmation of legal matters: valid incorporation in the companies' registry, valid capital increase resolutions, obeying of applicable capital markets laws with respect to the offering etc.

Section 9

Corporate Communication

Corporate Communication

IPO – PR und marketing campaign

- Marketing of the IPO via media
- Basis for visibility of the share in the after market
- Marketing campaign in accordance with corporate marketing and equity story
- Advertisements mainly in newspapers during soft- and hardselling
- Retail investors addressed via retail events in the course of the roadshow
- Employees approached via specific employee events
- Retail folder as information for retail investors
- Give-aways
- etc.

Problematic since it is difficult to limit access regionally

- IR-website on the company's homepage
- Contents
 - Before the IPO
 - No major changes to historical behaviour
 - No announcements regarding the IPO (exemption: press releases)
 - No advertisement for the IPO
 - During the offering period
 - Prospectus secured by a „blocker“
 - Additional info regarding the IPO
 - No advertisement for the IPO

Corporate Communication

Why is confidentiality important during IPO preparation?

Premature leakage of information about the company's IPO preparations or business plans might:

- Trigger a public offering, which - prior to publication of the prospectus - is prohibited (and could cause substantial fines)
- Disseminate information that is not 100% in line with the prospectus contents, which may result in liability issues for the company and its board members
- Be assessed as forecasts, which then would need to be included in the prospectus (which, in turn, may trigger liability issues for the company and its board members)
- Constitute a public picture of the company's strategy when the investment story that is specifically shaped for the IPO is not yet finalised
- Trigger premature pricing ideas in the financial community that later make it harder to get a realistic feedback from investors on the pricing
- Destroy the marketing impact timed on the launch of the IPO
- Generally give the impression of desorganisation and chaos

Code of conduct prior to the IPO

- Questions regarding rumours should be answered with „no comment“
- Advertisements prior to publication of a prospectus are very restricted
No public offering must be triggered by such advertisements. A disclaimer is always necessary.
„Image marketing“ (without reference to a possible offering) is allowed
- Information of the issuer's workforce about size, timing and/or pricing of the offering as well as about a potential preferential allocation, is not permitted prior to publication of a prospectus

Code of conduct after publication of a prospectus

- Advertisements have to state that a prospectus has been published and where it is available
- Advertisements have to be clearly recognisable as such and may not be incorrect or misleading. They must not contradict information stated in the prospectus
- All information has to be in line with the prospectus!

General guidelines

- The exclusive information or answering of questions to journalists, market participants or other persons is not permitted, if such information or answer may cause the transfer of inside information
- One central point of contact shall be nominated within the issuer to clarify competences to publish/disseminate information

Corporate communication

Publicity guidelines – basic principles

Do's: Information regarding ongoing business

- Annual and interim reports
 - New products and services
 - Acquisitions and changes in the company's business
 - In accordance with the company's communication so far

Don'ts: IPO related talks

- No information whatsoever regarding
 - Timing of the IPO
 - Share price
 - Transaction volume
 - Syndicate
 - Value or advantages of the shares

Don'ts: Presentations at industry or analyst conferences only after consulting banks and legal counsels

- **Not allowed: Forecasts**
 - No forecasts or calculations in connection with revenues or profits etc.
 - Financial targets for planned revenue or net profit can be told in the course of the road show
- In case of doubt clarify with banks and legal counsels involved

*We are happy to advise
you in building up
capital markets adequate
IR*

Active IR

... increases visibility on the capital market and generates interest in the share as an investment opportunity!

- Timely reporting
- Ad hoc messages
- Conference calls (e.g. quarterly, at the publication date of reports)
- Realistic financial targets
- Regular (relevant) news-flow
- Road shows (1-2 times per year)
 - Investor roadshows (most important investors during the year)
 - Roadshows organised by stock exchange and banks
 - Participation in investor conferences

Corporate Communication

Erste Group's post IPO services



ERSTE GROUP

If you have any capital markets related question, don't hesitate to contact us!

Market making

- Supports a share's liquidity (at least 2 market makers would be optimal)

Support by our sales team

- Ongoing investor approach
- Organisation of roadshows, placement of larger packages in the after market
- Placement of large share packages in the secondary market
- Participation in investor conferences organised by Erste Group

Research

- Ongoing research coverage (at least quarterly)

Others

- Advisory in future transactions, compliance matters
- Contact to stock exchange
- etc.

Section 10






















References / Contact Details

Selected Credentials

Equity Capital Markets



ERSTE GROUP

<p>Government Romania</p>  <p>15% SPO Bucharest</p> <p>Joint Bookrunner n/a</p> <p>Pending</p>	<p>Romanian Government</p>  <p>SPO Bucharest</p> <p>BCR as Joint Bookrunner RON 165m</p> <p>2012</p>	<p>Österreichische Staatsdruckerei AG</p>  <p>Listing on the Vienna Stock Exchange</p> <p>Listing Agent n/a</p> <p>2011</p>	<p>Kapsch TrafficCom AG</p>  <p>Rights Issue Vienna</p> <p>Joint Lead Manager EUR 49m</p> <p>2011</p>	<p>OMV AG</p>  <p>Rights Issue Vienna</p> <p>Co-Lead Manager EUR 750m</p> <p>2011</p>	<p>United Power Technology AG</p>  <p>IPO Frankfurt</p> <p>Co-lead Manager EUR 21m</p> <p>2011</p>	<p>Nomos Bank</p>  <p>IPO London</p> <p>Co-Manager EUR 718m</p> <p>2011</p>
<p>AMAG Austria Metall AG</p>  <p>IPO Vienna</p> <p>Co-Lead Manager EUR 420m</p> <p>2011</p>	<p>AmRest Holdings SE</p>  <p>ECM (Equity Origination) Warsaw</p> <p>Listing Agent PLN 220m</p> <p>2011</p>	<p>Intercell AG</p>  <p>Convertible Bond Vienna</p> <p>Sole Bookrunner EUR 33m</p> <p>2011</p>	<p>Do & Co</p>  <p>Rights Issue</p> <p>Co-Lead Manager EUR 68m</p> <p>2010</p>	<p>Verbundgesellschaft</p>  <p>Rights Issue</p> <p>Co-Lead Manager EUR 1bn</p> <p>2010</p>	<p>Fortuna</p>  <p>IPO Warsaw / Prague</p> <p>Joint Lead Manager EUR 78m</p> <p>2010</p>	<p>Kulczyk Oil Ventures</p>  <p>IPO Warsaw</p> <p>Joint Lead Manager PLN 315m</p> <p>2010</p>
<p>Berling Group SA</p>  <p>IPO Warsaw</p> <p>Sole Bookrunner PLN 43m</p> <p>2010</p>	<p>Citigroup Inc.</p>  <p>Capital Increase New York</p> <p>Co-Lead Manager USD 17bn</p> <p>2009</p>	<p>Infineon</p>  <p>Rights Issue Frankfurt</p> <p>Selling Agent EUR 750m</p> <p>2009</p>	<p>Erste Group Bank AG</p>  <p>Rights Issue Public Offering Austria, Czech Republic, Romania</p> <p>Joint Global Coordinator & Bookrunner</p> <p>2009</p>	<p>Vienna Insurance Group</p>  <p>Rights Issue Joint Global Coordinator & Bookrunner</p> <p>EUR 1.14 bn</p> <p>2009</p>	<p>Opera</p>  <p>Public Offering of Investment Certificates Lead Manager & Bookrunner Erste Group</p> <p>PLN90mn</p> <p>2009</p>	<p>New World Resources</p>  <p>Initial Public Offering (IPO) Regional Lead and Co-Lead Manager</p> <p>GBP 1.3bn</p> <p>2008</p>

Key contacts

Martin Hinteregger

Managing Director

Head of Group Corporate Finance / Equity Capital Markets

Tel: +43 5 0100 15020

Fax: +43 5 0100 9 15020

martin.hinteregger@erstegroup.com

Marianne Rickl

Corporate Finance / Equity Capital Markets

Tel: +43 5 0100 15026

Fax: +43 5 0100 9 15026

marianne.rickl@erstegroup.com

Stevan Radak

Corporate / Equity Capital Markets

Tel: +43 5 0100 17908

Fax: +43 5 0100 9 17908

stevan.radak@erstegroup.com

Slavko Caric´

President of the Executive Board of Erste Bank Serbia

Tel: +381 (0) 112015005

Fax: +381 11 201 5070

slavko.caric@erstesbank.rs

Jelena Milenkovic´

Director

Investmentbanking Erste Bank a.d. Novi Sad

Tel: +381 (0) 11 220-91-80

Fax: +381 (0) 21 489-06-32

jelena.b.milenkovic@erstebank.rs

Section 11

Erste Group Disclaimer

Erste Group Disclaimer



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